

FRANCHISE DISCLOSURE DOCUMENT



K-9 Franchising, LLC
a New Jersey limited liability company
43 South Avenue
Fanwood, New Jersey 07023
(908) 889-PETS
www.k9resorts.com
info@k9resorts.com

As a franchisee, you will operate a K9 Resorts franchise offering dog daycare and boarding services in a luxury pet care facility.

The total investment necessary to begin the operation of a K9 Resorts Luxury Pet Hotel ranges from \$1,829,629 - \$2,495,235. This includes \$79,000 - \$109,000 that must be paid to the franchisor or its affiliate. The total investment necessary to begin the operation of a K9 Resorts Boutique Pet Hotel ranges from \$1,329,972 - \$1,870,508. This includes \$79,000 - \$109,000 that must be paid to the franchisor or its affiliate.

We may also offer to certain qualified people the right to develop multiple K9 Resorts franchises under a Multi-Unit Operator Agreement. The total investment for the first location under a Multi-Unit Operator Agreement for the development of two K9 Resorts Luxury Pet Hotels is between \$1,879,129 – \$2,544,735. This includes \$128,500 - \$158,500 that must be paid to the franchisor and/or its affiliate. The total investment for the first location under a Multi-Unit Operator Agreement for the development of two K9 Resorts Boutique Pet Hotels is between \$1,379,472 - \$1,920,008. This includes \$128,500 - \$158,500 that must be paid to the franchisor and/or its affiliate.

The total investment for the first location under a Multi-Unit Operator Agreement for the development of three K9 Resorts Luxury Pet Hotels is between \$1,928,629 – \$2,594,235. This includes \$178,000 - \$208,000 that must be paid to the franchisor and/or its affiliate. The total investment for the first location under a Multi-Unit Operator Agreement for the development of three K9 Resorts Boutique Pet Hotels is between \$1,428,972 - \$1,969,508. This includes \$178,000 - \$208,000 that must be paid to the franchisor and/or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jason D. Parker at 43 South Avenue, Fanwood, New Jersey 07023 or at (908) 889-PETS.

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

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

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

ISSUANCE DATE: April 27, 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.

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchise outlets.
Will my business be the only K-9 Resorts business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a K-9 Resorts franchisee?	Item 20 or Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in the then-current county and state where our corporate headquarters is located (currently, Union County, New Jersey). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate and/or litigate with the franchisor in the then-current county and state where our corporate headquarters is located 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.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any)

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED
BY THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of the franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 W. Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement and Multi-Unit Development Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce that section as written.

TABLE OF CONTENTS

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	2
ITEM 2 BUSINESS EXPERIENCE.....	4
ITEM 3 LITIGATION.....	7
ITEM 4 BANKRUPTCY	8
ITEM 5 INITIAL FEES	8
ITEM 6 OTHER FEES	9
ITEM 7 ESTIMATED INITIAL INVESTMENT.....	13
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	24
ITEM 9 FRANCHISEE'S OBLIGATIONS.....	27
ITEM 10 FINANCING	29
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	29
ITEM 12 TERRITORY	43
ITEM 13 TRADEMARKS.....	46
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	49
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	50
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	51
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	53
ITEM 18 PUBLIC FIGURES.....	61
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	61
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	75
ITEM 21 FINANCIAL STATEMENTS	78
ITEM 22 CONTRACTS.....	78
ITEM 23 RECEIPT.....	79

EXHIBITS TO FRANCHISE DISCLOSURE DOCUMENT

- A - State Agencies/Agents for Service of Process
- B - Franchise Agreement
- C - Multi-Unit Operator Agreement
- D - List of Franchisees
- E - List of Franchisees Who Have Left the System
- F - Financial Statements
- G - Table of Contents of Operations Manual
- H - Multi-State Addendum

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is K-9 Franchising, LLC, a New Jersey limited liability company. To simplify the language in this Disclosure Document, K-9 Franchising, LLC, will be referred to as “we” or “us”. “You” means the individual or individuals or corporation, partnership or limited liability company buying the franchise. If you are a business entity, each of the following individuals must sign our Guaranty: (i) each of your shareholders if you are a corporation; (ii) each of your partners if you are a general partnership; or (iii) each of your members and managers if you are a limited liability company. All of the provisions of our Franchise Agreement (a copy of which is attached as Exhibit B to this Disclosure Document) will apply to you and to each individual who signs the Guaranty.

The Franchisor, Parent, Predecessor and Affiliate

We are a New Jersey limited liability company formed on February 9, 2016 and maintain our principal business address at 43 South Avenue, Fanwood, New Jersey 07023. We do business under our corporate name.

We offer and sell franchises under the trade name “K9 Resorts”, “K9 Resorts Luxury Pet Hotel” or “K9 Resorts Boutique Pet Hotel”. We do not own or operate any businesses of the type being franchised but if we determine that the operation of your business is in jeopardy, or if a default occurs, then in order to prevent an interruption in operation of the Franchised Business we may operate your business for as long as we deem necessary and practical. We have never offered franchises in any other line of business. We started offering franchises for the same type of business you will be operating in March 2016.

Parent Company

Our parent, K-9 Holdings, LLC, a New Jersey limited liability company, was formed on January 26, 2016 and maintains a principal business address at 43 South Avenue, Fanwood, New Jersey 07023. Our parent has never operated a business of the type being franchised and has never offered franchises in this or any other line of business.

Our parent currently owns the Proprietary Marks. It purchased the Proprietary Marks from our affiliate, K9 Resorts, LLC, pursuant to an Intellectual Property Asset Purchase Agreement dated February 10, 2016.

Predecessor

Our predecessor, K-9 Resorts Franchising, LLC, a New Jersey limited liability company, was formed on November 17, 2010 and maintains a principal business address at 43 South Avenue, Fanwood, New Jersey 07023. Our predecessor began offering franchises for the same type of business you will be operating in January 2011. Our predecessor has never operated a business of the type being franchised.

Our company was formed on February 9, 2016 as a result of the addition of new owners. As a result of our formation, our predecessor ceased offering franchises in February 2016, but initially continued to service its existing franchisees through October 31, 2016. On November 1, 2016, we entered into an Assignment and Assumption Agreement with our

predecessor, upon which K-9 Resorts Franchising transferred its operating assets to us, including its existing franchise agreements.

Affiliate

Our affiliate, K-9 Corporate Resorts LLC is a Delaware limited liability company formed on December 21, 2022 and maintains a principal business address at 43 South Avenue, Fanwood, New Jersey 07023. Our affiliate owns the K-9 Resorts corporate locations. It has never offered franchises in this or any other line of business.

We currently do not have any affiliates that (a) provide products or services to our franchisees, or (b) offer franchises in this or any other line of business.

Agent for Service of Process

Our agent for service of process is identified in Exhibit A to this Disclosure Document.

The Business We Offer

We grant franchises for the right to operate K9 Resorts Luxury Pet Hotel and K9 Resorts Boutique Pet Hotel franchises, which are luxury pet care facilities offering dog daycare and boarding services. K9 Resorts businesses use designer suites, premium dog beds, MMA/Epoxy type flooring systems made using anti-microbial agents, state-of-the-art air purification systems, artificial turf in the outdoor courtyard that is made with antimicrobial agents, hospital-grade disinfecting, color televisions in each suite, and premium dog products. You will sign our Franchise Agreement, which is attached to this Disclosure Document as Exhibit B, for the right to operate one Franchised Business.

K9 Resorts Luxury Pet Hotels are generally approximately 6,700 square feet and contain 60 or more accommodations. In certain markets and/or conditions, and with our prior written approval, we may permit you to operate a K9 Resorts Boutique Pet Hotel, which are generally between 4,000 to 5,000 square feet and contain 60 or more accommodations. K9 Resorts Boutique Pet Hotels offer the same services and amenities as a K9 Resorts Luxury Pet Hotel, except the Boutique Pet Hotel will typically have smaller accommodations and the outdoor areas will be reduced in size.

K9 Resorts businesses operate under our unique system relating to the establishment, development and operation of the Franchised Business (the "System"). The System includes the Proprietary Marks, IT platforms, recognized designs, decor and color schemes, distinctive specifications for furniture, fixtures, equipment, and wall, ceiling and display designs; know-how, training techniques, trade secrets; uniform specifications of products and services; sales techniques, and merchandising, marketing, advertising, and inventory management systems; quality control procedures; and procedures for operation and management of System businesses. We may periodically make changes to the System, including System standards, facility location requirements and design, signage, equipment, trade dress and fixture requirements. You will operate your Franchised Business only the days and hours we specify, subject to our minimum requirements.

The Proprietary Marks include various trade names, trademarks, service marks, logos, and other indicia of origin including the trademarks "K9 Resorts Luxury Pet Hotel" or "K9

Resorts Boutique Pet Hotel” (the “K9 Resorts Business” or “Franchised Business”) or any Proprietary Marks we have designated or may in the future designate for use in connection with the System.

Multi-Unit Operator Agreement

We offer a Multi-Unit Operator Agreement for the development of multiple K9 Resorts businesses with a defined development area. Our form of Multi-Unit Operator Agreement is attached as Exhibit C to this Disclosure Document. You will be required to open each Franchised Business in accordance with a development schedule. The Franchise Agreement for each Franchised Business developed under the Multi-Unit Operator Agreement will be the form of Franchise Agreement being offered by us generally at the time each Franchise Agreement is executed.

Market and Competition

The market for the products and services provided by a K9 Resorts Business is developing and includes anyone who owns a dog. You will compete directly with other local franchises and other businesses that sell and offer dog day care and overnight boarding services, as well as national dog day care and overnight boarding services, retail pet supply stores, groomers, dog trainers, dog walkers, and pet sitters. This business is year-round.

Applicable Industry-Specific Laws and Regulations

You will have to obtain local business permits before opening, which may include a local permit to operate a kennel service. Additionally, your business may be subject to various federal, state and local laws and regulations, which may include obligations to report evidence of animal abuse and neglect. You must investigate, keep informed of and comply with these laws.

We do not assume any responsibility for advising you on these regulatory or legal matters. You should consult with your attorney about laws and regulations that may affect the Franchised Business, including privacy laws, and investigate the application of those laws further.

ITEM 2

BUSINESS EXPERIENCE

Jason D. Parker, Co-Founder and CEO

Mr. Parker has been our Co-Founder and Chief Executive Officer from our inception in February 2016 through the present and oversees our franchise department. He has also been a Co-owner of our parent, K-9 Holdings, LLC since its inception in January 2016 as well as Chairman of its Board of Managers. Since January 2005, through the present, he has also been President for our affiliate, K-9 Resorts, LLC.

Steven E. Parker, Co-Founder and Board Member

Mr. Parker was our Co-Chief Executive Officer from our inception in February 2016 through December 2022 and also oversees our company owned locations. He has also been a board member and co-owner of our parent, K-9 Holdings, LLC, since its inception in January 2016. Since January 2005 through the present he has also been Chief Executive Officer for our affiliate, K-9 Resorts, LLC and from December 2022 through the present he has been Chief Executive Officer of our affiliate K9 Resorts Corporate, LLC.

Kevin Tennant, VP of Franchise Operations

Mr. Tennant has been our Vice President of Franchise Operations since August, 2022. Prior to that, he served as our Senior Director of Operations from May 2019 to August 2022. Prior to joining us, Mr. Tennant worked as Vice President of Operations at Rook Coffee Roasters in Monmouth County, NJ from June 2017 through March 2019.

Brian Carlisle, Director of Real Estate

Mr. Carlisle has been our Director of Real Estate since February, 2020. Previously, Mr. Carlisle served as President of the Simple Greek from January, 2018 through November of 2019.

Cassie Gato, Director of Marketing

Ms. Gato has served as our Director of Marketing from June, 2021 through the present. Prior to joining us, Ms. Gato was the Marketing Manager of Pierre Fabre (Glytone) from September, 2020 through June, 2021 and was the Senior Brand Manager for DirectTV Sales and Trade Marketing from February 2015 through March 2020.

Lisa Longley - Business Director

Ms. Longley has served as our Business Director from January 2023 to the present. She previously served as our Business Administrator from September, 2020 through December 2020. Prior to joining K9 Resorts, from April 2010 through September, 2020, Lisa worked at The Hollingsworth Group, a real estate brokerage firm in New York, New York, as Manager/Director.

Vincent Corso, Controller

Mr. Corso has served as our Controller since January, 2022. Since September, 2017, Mr. Corso has owned and serves as the President of the franchised business Two Maids & A Mop of Westfield, NJ.

Christian Nielsen, Operations Manager

Mr. Nielsen has been our Operations Manager from August, 2016 through the present. He served as the Assistant Manager for our affiliate, K-9 Resorts, LLC from May, 2014 through December 2021. From 2005 through April, 2014, Mr. Nielsen served as a Supervisor of K-9 Resorts, LLC.

Jessica Reitemeyer, Operations Manager

Ms. Reitemeyer has been an Operations Manager from October, 2018 through the present. Previously, she served as our Training Manager from August, 2016 through September, 2018. She previously served as the General Manager for our affiliate, K-9 Resorts, LLC from January, 2012 through September, 2018. Prior to that, from May, 2010 through December 2011, she served as a Customer Service Representative, and from 2005 through May, 2010 she served as a Kennel Tech for K-9 Resorts, LLC.

Michael Baker, Operations Manager

Mr. Baker has been an Operations Manager since December, 2021. Prior to joining us, he was a Store Manager for Harbor Freight in Staten Island, NY, from June, 2020 through November, 2021. He was also an Executive Team Lead of Operations from September, 2017 through June, 2020.

Stacey Wells, Operations Manager

Mrs. Wells has served as an Operations Manager from April 2022 to the present. Prior to joining us, from March 2018 to April 2020, Stacey worked for KinderCare LLC located in Somerset NJ as Center Director from March 2018-January 2020, and as Center Director in the Kenilworth, NJ location from January 2020 to April 2020. From April 2020 to April 2022 Mrs. Wells worked at Primrose School of North Edison as their Center Director.

Zach Gould, VP of Corporate Operations

Mr. Gould has served as our Vice President of Corporate Operations from November 2022 to the present. He previously served as our Director of Corporate Operations from November 2021 through November 2022. Prior to joining K9 Resorts, from June 2018 through November 2021, Zach worked at Pet Paradise, in Jacksonville, FL as Regional Director.

Andrew Taylor, Director of Corporate Operations

Mr. Taylor has served as our Director of Corporate Operations from September 2022 to the present. Prior to joining K9 Resorts, from June 2016 through September 2022, Andrew worked at Farm Stores Franchising, in Miami, Florida, as the Director of Operations.

Steven Beagelman, Board Member

Mr. Beagelman has been a Member of our parent, K-9 Holdings, LLC's Board of Managers since its inception in January 2016. He is also a co-owner of our parent, K-9 Holdings, LLC since January 2016. From January, 2011 through the present, he has been the CEO and President of SMB Franchise Advisors in Doylestown, PA, which specializes in advising franchise start-ups and existing franchise concepts.

Peter Barkman – Franchise Development Specialist

Mr. Barkman has been a partner of BrandOne Franchise Development, in Philadelphia, PA, from September, 2016 through the present.

Sarah Van Aken - Franchise Development Specialist

Sarah Van Aken has been VP of Franchise Development for BrandONE Franchise Development in Philadelphia, PA from August 2019 through the present. From 2014 to 2019, Sarah was President and COO of Kathy Davis Studios, in Horsham, PA.

Bernard B. Markey, Board Member

Mr. Markey has been a member of our parent, K-9 Holdings, LLC's Board of Managers since its inception in January 2016. He is also a Managing Partner and Co-Founder of Navigator Partners in Summit, NJ, from 1999 through the present. Mr. Markey has been a Member of the Board of Managers of First Light Home Care in Cincinnati, Ohio since its inception in 2009 through the present.

William H. Stewart, Board Member

Mr. Stewart has been a member of our parent, K-9 Holdings, LLC's Board of Managers since its inception in January 2016. He is a Managing Partner of Navigator Partners in Summit, NJ, since 2005 through the present. Mr. Stewart has served as a Member of the Board of Managers of First Light Home Care in Cincinnati, Ohio since its inception in 2009 through the present. From 2012 through the present, Mr. Stewart has served as the CFO and Board Member of KDC Solar a renewable energy company located in Bedminster, NJ.

ITEM 3

LITIGATION

Sonflower LLC, Edgar S. DeLong, Jr. and Cheri A. DeLong v. K9 Resorts Malvern, LLC, (Case No. 2:221-cv-01701) United States District Court, District of Eastern Pennsylvania). On April 12, 2021, our former franchisee and their principals filed this action against our affiliate, K9 Resorts Malvern, LLC alleging claims for breach of contract of a management agreement, unjust enrichment, replevin, and conversion and seeking an unspecified amount of compensatory damages, attorney fees and costs, and an accounting of our affiliate's revenues and expenses since December 23, 2019. On June 25, 2021 the parties reached a settlement agreement wherein the litigation matter was dismissed and K9 Resorts Malvern, LLC agreed to pay \$125,250 to the former franchisee's lender in consideration of the lender releasing its UCC lien against Sonflower, LLC and provided a release to Sonflower. In addition, all ownership rights to equipment owned by Sunflower,

LLC was assigned to K9 Resorts Malvern, LLC and Sonflower provided a release to K9 Resorts Malvern.

Except as set forth above, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

You must pay an initial franchise fee of \$49,500. The initial franchise fee is payable when you sign the franchise agreement. Except as noted below, the initial franchise fee is uniform to all franchisees and must be paid in full when you sign the Franchise Agreement. The initial franchise fee is fully earned and is not refundable under any circumstances.

Multi-Unit Operator Agreement

If you qualify to develop and operate two K9 Resort Businesses under a Multi-Unit Operator Agreement, you must pay to us a development fee equal to \$49,500 multiplied by the number of units you will be opening. You will not pay an additional initial franchise fee.

The development fee must be paid in full when you sign the Multi-Unit Operator Agreement. The development fee is imposed uniformly on all multi-unit operators, is fully earned by us when received and is not refundable.

If you are a qualified United States veteran who has been honorably discharged, we will discount the development fee by 10%. We reserve the right to cancel or modify this program at any time.

Real Estate and Facility Coordination Fee

You must pay to us a Real Estate and Facility Coordination Fee in the amount of \$29,500, payable when you sign each franchise agreement, for assistance by us or our designated vendors with local agent sourcing, site identification, lease negotiation, design, zoning and construction consultation. This fee is fully earned upon receipt and is not refundable under any circumstances. This fee is payable regardless of the number of offered services associated with this fee that are utilized.

Grand Opening Advertising

During the 90 days before you open your Franchised Business you must spend \$30,000 which will be used on the grand opening marketing and advertising. We reserve the right

to require you to pay these monies to us or our affiliate to be used on your behalf.

ITEM 6

OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee	7% of Gross Revenues.	Payable on the 17 th day of the month for revenue collected from the 1 st -15 th and payable on the 2 nd day of the month for money collected from the 16 th to the last day of the month via ACH. We reserve the right in our sole discretion to reduce the frequency of collection.	Royalties are paid to us. Gross Revenues is defined in Note 1.
Brand Development Fund	Up to 2% of monthly Gross Revenues (currently 1%).	Payable monthly via ACH for the preceding month. We reserve the right in our sole discretion to reduce the frequency of collection.	See Note 1 and Note 2.
Transfer Fee (Franchise Agreement and Multi-Unit Operator Agreement)	\$7,500	Prior to transfer.	Transfer Fee is paid to us. The transfer fee does not apply to transfers where the transferee is an entity controlled and owned by Franchisee.
Renewal Fee	\$7,500	Prior to renewal.	See Item 17 for a further explanation of renewal conditions.
Insurance	Cost of insurance plus our then-current administrative fee (currently 25% of premium cost).	As incurred.	We may obtain the insurance if you fail to. You will pay the cost of the insurance premiums and a fee to us to cover our reasonable expenses.
Audit	All of our costs and expenses, but not less than \$500.	Upon invoice	See Note 3

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Collection Costs, Attorneys' Fees and Interest	See Note 4	As incurred.	See Note 4
Bank Charges and Administrative Costs	Our then-current fees.	Upon invoice.	We may charge fees to cover bank charges and administration costs if an electronic funds transfer attempt is unsuccessful or you close your operating account, or any check or other payment is returned not paid.
Indemnification	Amount of loss or damages plus costs.	As incurred.	See Note 5
Initial and Additional Training	Our then-current fees. See Note 6	Currently \$500 prior to training, balance upon invoice	See Note 6
De-Identify Premises	Costs plus our then-current administrative fee.	As incurred.	If you do not de-identify your Franchised Business following expiration or termination of the Franchise Agreement, we may re-enter the premises and do so at
Confidential Operations Manual Replacement Fee	Our then current cost (currently \$50).	As incurred.	This replacement fee is paid to us.
Step-in Rights Fee	Our then-current fee (currently 10% of the Franchised Business' Gross Revenues (subject to a minimum fee of \$3,000 per collection period). See Note 7	Payable at the same time and in the same manner as your pay the Royalty Fee.	The Step-In Rights Fee is paid to us. We reserve the right to change the management fee upon 30 days written notice.
Technology Fee	Our then-current fee (currently \$100 per month). See Note 8	Payable by the third business day of each month via ACH.	The Technology Fee is paid to us. The Technology Fee includes: (i) all website care, including but not limited to website hosting, updates, and changes; (ii) software development and maintenance fees of any software that we require you to obtain from us; and (iii) K9 Resorts Gmail accounts for the Operating Partner, General Manager, and Resort location. Payment begins in the month when your Franchised Business is open for business.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Product Testing and Supplier Evaluation	Our then current fee, (currently \$500 plus our out of pocket expenses).	Upon invoice	Payable if you request that we evaluate a potential product or supplier that is not on our list of approved suppliers for our System. We will reimburse this fee, if we approve the product or supplier for the entire System.
Annual Franchisee Meeting	Our then current fee (up to \$500).	As incurred	We reserve the right to charge a fee for attendance at our Annual Franchisee Meeting. The fee is payable to us. The meeting is mandatory for at least one franchisee owner or representative that we designate.
Reimbursement of Customer Complaint Costs	Our costs and expenses	Upon invoice	If you fail to adequately resolve a customer complaint to our satisfaction, we may resolve it as we deem appropriate and you must reimburse us for our costs and expenses, including the cost of any remedy given to the customer.
Marketing Service Package Fee	Our then current cost (currently \$599 per month)	Payable on the first Wednesday each month via ACH.	We collect these funds on behalf of our third party service provider. See Note 9.
Relocation Fee	Our then-current fee (currently \$2,500)	Payable if we approve your relocation request.	This fee is collected if we approve you to relocate your resort.

Notes:

General: Unless otherwise stated, all fees are paid to us and are non-refundable. All fees may not be imposed uniformly. We reserve the right to collect any and all fees due to us through ACH. You may only have one bank account for the Franchised Business and in addition to the ability to ACH funds owed to us from that account, we must be permitted “view-only” access.

1. The Gross Revenues are defined in the Franchise Agreement to include all income of any type or nature and from any source that you derive or receive directly or indirectly from, through, by or on account of the operation of the Franchised Business, at any time after the signing of your Franchise Agreement, in whatever form and from whatever source, including, but not limited to, cash, services, in kind from barter and/or exchange, gift cards (when purchased not when redeemed) on credit or otherwise, as well as business interruption insurance proceeds, all without deduction for expenses, including marketing expenses and taxes. However, the definition of Gross Revenues does not include sales tax that is collected from

customers and actually transmitted to the appropriate taxing authorities, or customer refunds or adjustments. Gross Revenues are calculated on a cash basis when a sale is made, not on an accrual basis.

If you do not report Gross Revenues, we may debit your account for 120% of the last Royalty Fee and Brand Development Fee that we debited. If the Royalty Fee and Brand Development Fee we debit are less than the Royalty Fee and Brand Development Fee you actually owe us, once we have been able to determine your true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Royalty Fee and Brand Development Fee we debit are greater than the Royalty Fee and Brand Development Fee you actually owe us, we will credit the excess against the amount we otherwise would debit from your account and apply it to your next payment.

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

2. We have established a brand development fund to be administered for the common benefit of System franchisees. You must participate in and contribute the amount that we require (up to 2% of monthly Gross Revenues, currently 1%) to the Fund. Our affiliate owned locations are not required to contribute to the Fund.
3. You must maintain accurate business records, reports, accounts, books, and we have the right to inspect and/or audit your business records during normal business hours. If any audit reveals that you have understated Gross Revenues by 5% or more, or if you have failed to submit complete reports and/or remittances for any 2 reporting periods or you do not make them available when requested, you must pay the reasonable cost of the audit, including the cost of auditors and attorneys, together with amounts due for royalty and other fees as a result of the understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported.
4. You will be required to pay us interest on any overdue amounts from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate. If we engage an attorney to collect any unpaid amounts (whether or not a formal arbitration claim or judicial or proceedings are initiated), you must pay all reasonable attorneys' fees, arbitration costs, court costs and collection expenses incurred by us. If you are in breach or default of any non-monetary material obligation and we engage an attorney to enforce our rights (whether or not an arbitration claim or judicial proceedings are initiated), you must pay all reasonable attorneys' fees, arbitration costs, court costs and litigation expenses.
5. You must defend, indemnify and hold us and our related parties harmless from all fines, suits, proceedings, claims, demands, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising from your ownership, operation or occupation of your Franchised Business, performance or breach of your obligations, breach of any representation or acts or omissions of you or your employees.
6. The franchise fee includes our initial training program for up to three people

including you or your Operating Principal (if you are an entity), your General Manager and your Assistant Manager (if applicable) in our Fanwood, New Jersey location, or another location of our choosing. However, you will be required to pay personal expenses, including transportation, lodging, meals and salaries for yourself and all of your employees. If additional members of your staff need training, or if we determine in our sole discretion that they need additional training, we reserve the right to charge you for such training. Additional Initial training will be charged at our then-current rate, which is currently \$1,500 per person. All other training will be charged at our then-current rate for additional on-site training, which as of the date of this disclosure document is between \$2,500-\$7,500, which includes the fee for the training and our reasonable costs including travel, lodging and meals. The total amount will be determined based on your need, your location and the level of assistance required.

7. In the event we must take over the Franchised Business and manage it, you must pay us a fee currently equal to the greater of (i) 10% of the Franchised Business' Gross Revenues or (ii) \$3,000 per collection period, for as long as we deem necessary. In addition, you are also required to pay our expenses and other fees, such as royalties.
8. We reserve the right to and intend to increase the Technology Fee upon thirty (30) days written notice.
9. The Marketing Service Package Fee includes: (i) Marketing Team Support, including micro-site hosting and performance monitoring, and monitoring of paid advertising campaigns, as well as recommendations for digital marketing strategies based on brand results across the country; (ii) access to the Scorpion Marketing Portal which provides marketing reports, Scorpion analytics, lead tracking software, cell tracking numbers for marketing campaigns, call recording, review tracking, and reputation outreach services to solicit reviews from guests; (iii) online Listing management of Facebook, Google Business Profile and 50+ directories; (iv) technical SEO services including website optimization, managing and adapting for page speed, structured data, redirects and crawl errors, as well as management of database communications between Google Analytics, Scorpion Analytics and Google Search Console; and (v) a Social Content Package providing brand based Facebook posts each month.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT-SINGLE UNIT

K9 Resorts Luxury Pet Hotel				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$49,500	Lump sum	At signing of Franchise Agreement	The Initial Franchise Fee is paid to us
Construction, Leasehold Improvements ²	\$1,386,626 - \$1,727,000	As incurred	Before opening	Contractor/Third-party providers
Furniture, Fixtures and Equipment ³	\$42,000 – \$216,000	As incurred	Before opening	Third-party providers
Signage ⁴	\$43,403 - \$53,560	As incurred	Before opening	Third-party providers
Computer, Software and Point of Sales System ⁵	\$7,500 - \$8,500	Lump Sum	Before opening	Third-party providers/Us
Initial Inventory ⁶	\$17,000 - \$19,000	As incurred	Before opening	Third-party providers
Marketing Collateral Inventory ⁷	\$7,500 - \$9,800	As incurred	Before opening	Third-party providers
Rent Deposits ⁸	\$0-\$41,875	As incurred	Before opening	Landlord
Utility Deposits ⁹	\$2,000-\$5,000	As incurred	Before opening	Utility providers
Insurance Premiums ¹⁰	\$1,500 - \$3,000	As incurred	Before opening	Insurance company
Pre-opening Certifications and Training Travel Expense ¹¹	\$100- \$4,500	As incurred	Before opening	Airline, hotel, restaurants; third party vendors
Grand Opening Advertising ¹²	\$30,000	As incurred	Before opening	Third parties; Us
Professional Fees ¹³	\$30,000 – \$75,000	As arranged	Before opening	Attorneys, accountants, architect
Business Permits and Licenses ¹⁴	\$3,000 - \$6,500	As incurred	Before opening	Licensing Authorities
Architectural Design, Engineering & Blueprints ¹⁵	\$45,000 - \$49,500	As incurred	Before opening	Approved Architect/ Engineer
Real Estate and Coordination Fee ¹⁶	\$29,500	Lump Sum	At signing of Franchise Agreement	Us
Safety & Security Features ¹⁷	\$30,000 - \$38,000	As incurred	Before opening	Third-party providers

Additional funds – 3 Months ¹⁸	\$105,000 - \$129,000	As incurred	After opening	Various
TOTAL ESTIMATED INITIAL INVESTMENT ¹⁹	\$1,829,629 - \$2,495,235			

Notes:

1) The initial franchise fee for a Luxury Pet Hotel franchise is \$49,500. This fee is fully earned and is not refundable when paid by you. This fee does not include any discounts listed in Item 5, including a 10% discount off of the initial franchise fee for qualified United States veterans.

2) This estimate is for the costs for the development of a Luxury Pet Hotel with approximately 6,700 square feet of space and which includes a fire suppression system. If you elect to lease or purchase a location without a fire suppression system, the estimates could increase between \$60,000 to \$120,000. The low end assumes that your landlord may perform certain improvements or provide you with a tenant improvement allowance which may offset, in whole, or in part, the construction and build-out costs for your Franchised Business. The high end assumes that you will not receive any financial contribution from your landlord for improvements. These numbers are not inclusive of any architect fees or other fees charged by licensed professionals (other than general contractors, licensed tradesmen, building permits, basic inspection fees & builders risk insurance). As in the development of any location, there are many variables that may impact your overall costs including landlord contribution, the size of your location, rates for construction, personnel, freight, vendor pricing and taxes, overall costs and efficiencies in your market. Third-party financing may be available for qualified candidates for some of the leasehold improvement costs, however with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart.

3) These figures represent the purchase of the necessary furniture, fixtures and equipment from suppliers to operate your Franchised Business including designer suites, premium dog beds, air purification system, and color televisions. The low end of the range assumes that you will be leasing certain equipment. The costs listed here do not include any transportation or set up costs. Third-party financing may be available for qualified candidates for some of the equipment costs, however, with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart.

4) This estimate is for the cost to produce mandatory wall signage to be mounted to the outside of the building as well as all interior signage. Additionally, these figures include various other elements of brand identification within the location. This figure does not include the cost of optional items such as a monument sign (when permitted) or entrance plaques.

5) This estimate is for the cost to purchase the required point of sales system, computer equipment, tablets and software.

6) Initial Inventory includes leashes, food, bowls, waste bags, disinfectants and cleaners, feeding cart, janitorial equipment, shampoo, towels, brushes and dryers.

7) Marketing Collateral Inventory includes print and promotional materials necessary to operate the Resort and participate in local events.

8) This estimate represents a three (3) month deposit of rent for a 6,700 square foot free-standing facility, commercial warehouse or light industrial space which receives vehicular and/or foot traffic. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract. The amount of rent will depend on local market conditions. This estimate assumes you will be leasing space and that you will not be purchasing real property and building your own building for your Franchised Business.

9) A credit check may be required by the issuing company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality from which they are being contracted.

10) This estimate is for the upfront cost to obtain the minimum required insurance. You should check with your local carrier for actual premium quotes and costs. The cost of coverage will vary based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, the loss experience of the carrier and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry.

11) This estimate is for the cost for three (3) people, including you or your Operating Principal (if you are an entity), your General Manager and your Assistant Manager (if applicable), to attend our initial training program held in Fanwood, New Jersey or the Franchised Location. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses (food, transportation, etc.). This estimate does not include the cost of any salaries for your employees. The low end of the estimate assumes you are within driving distance of our training facility. This cost also includes certain certifications you and your applicable employees must obtain involving pet boarding and health, including completion of a pet first aid and cpr class.

12) You are required to spend at least \$30,000 in advertising and promotions during the 90-day period before your Franchised Business opens.

13) These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. It also includes the cost of a civil engineer, zoning/land use attorney, planner, structural engineer, inspections, escrow fees and other professionals as needed. The low end of the range represents a location that does not require a zoning process or variances. The high end of the range represents a location that is required to go through a local municipality, city or township zoning process. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Franchised Business. The hourly rate for these types of professionals will depend on local market conditions and scope of work. If the zoning portion of the project exceeds a single zoning meeting associated costs and fees may

cause the cost to exceed what is indicated in this chart. Associated costs may also change depending on the local township, or municipalities approval process.

14) You are responsible for applying for, obtaining and maintaining all required permits and licenses necessary to operate the Franchised Business. The figures represented here reflect the range of expenditures for licenses and permits to open a Franchised Business in suburban New Jersey.

15) This fee represents the architectural scope of work for the fit out of an existing space: 1) architectural field survey; 2) Sketch Plan; 3) construction documentation; 4) limited construction administration. This fee does not include architectural work for a ground-up build.

16) This fee is payable to us for assistance by us or our designated vendors with site identification, lease negotiation, acquisition, design and construction consultation.

17) This fee is payable for the installation and purchase of safety and security features such as interior cameras, security and fire monitoring systems.

18) This estimates your startup expenses. This estimate includes such items as initial payroll and payroll taxes, additional advertising, technology fee, marketing and/or promotional activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, deposits and prepaid expenses (if applicable), rent and other miscellaneous items as offset by the revenue you take into the Franchised Business. The above figures do not include interest costs or debt service amounts or any amounts payable to us for royalties or the brand fund. The expenses you incur will depend on factors such as the time of the year that you open, both local economic and market conditions, as well as your business experience.

19) This total amount is based upon the historical experience of our affiliate and franchised locations. Your costs may vary based on a number of factors including but not limited to the geographic area in which you open, local market conditions, the location selected, the time it takes to build sales of the establishment and your skills at operating a business.

YOUR ESTIMATED INITIAL INVESTMENT-SINGLE UNIT

K9 Resorts Boutique Pet Hotel				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$49,500	Lump sum	At signing of Franchise Agreement	The Initial Franchise Fee is paid to us
Construction, Leasehold Improvements ²	\$964,526 - \$1,187,840	As incurred	Before opening	Contractor/Third-party providers
Furniture, Fixtures and Equipment ³	\$42,000 - \$216,000	As incurred	Before opening	Third-party providers
Signage ⁴	\$14,846 – \$26,918	As incurred	Before opening	Third-party providers
Computer, Software and Point of Sales System ⁵	\$7,500 - \$8,500	Lump Sum	Before opening	Third-party providers/Us
Initial Inventory ⁶	\$17,000 - \$19,000	As incurred	Before opening	Third-party providers
Marketing Collateral Inventory ⁷	\$6,500 - \$7,500	As incurred	Before Opening	Third-party providers
Rent Deposits ⁸	\$0 - \$31,250	As incurred	Before opening	Landlord
Utility Deposits ⁹	\$2,000 - \$5,000	As incurred	Before opening	Utility providers
Insurance Premiums ¹⁰	\$1,500 - \$2,500	As incurred	Before opening	Insurance company
Pre-opening Certifications and Training Travel Expense ¹¹	\$100 - \$4,500	As incurred	Before opening	Airline, hotel, restaurants, third-party vendors
Grand Opening Advertising ¹²	\$30,000	As incurred	Before opening	Third parties; Us
Professional Fees ¹³	\$25,000 - \$69,500	As arranged	Before opening	Attorneys, accountants, architect
Business Permits and Licenses ¹⁴	\$3,000 - \$6,500	As incurred	Before opening	Licensing Authorities
Architectural Design, Engineering & Blueprints ¹⁵	\$35,000 - \$39,500	As incurred	Before opening	Approved Architect/ Engineer

Real Estate and Coordination Fee ¹⁶	\$29,500	Lump Sum	Upon signing of Franchise Agreement	Us
Safety & Security Features ¹⁷	\$27,000 - \$32,000	As incurred	Before opening	Third-party providers
Additional funds – 3 Months ¹⁸	\$75,000 - \$105,000	As incurred	After opening	Various
TOTAL ESTIMATED INITIAL INVESTMENT¹⁹	\$1,329,972 - \$1,870,508			

Notes:

1) The initial franchise fee for a Boutique Pet Hotel franchise is \$49,500. This fee is fully earned and is not refundable when paid by you. This fee does not include any discounts listed in Item 5, including a 10% discount off of the initial franchise fee for qualified United States veterans.

2) This estimate is for the costs for the development of a Boutique Pet Hotel with approximately 4,000 to 5,000 square feet of space and which includes a fire suppression system. If you elect to lease or purchase a location without a fire suppression system, the estimates could increase between \$60,000 to \$120,000. The low end assumes that your landlord may perform certain improvements or provide you with a tenant improvement allowance which may offset, in whole, or in part, the construction and build-out costs for your Franchised Business. The high end assumes that you will not receive any financial contribution from your landlord for improvements. These numbers are not inclusive of any architect fees or other fees charged by licensed professionals (other than general contractors, licensed tradesmen, building permits, basic inspection fees and builders risk insurance). As in the development of any location, there are many variables that may impact your overall costs including landlord contribution, the size of your location, rates for construction, personnel, freight, vendor pricing and taxes, overall costs and efficiencies in your market. Third-party financing may be available for qualified candidates for some of the leasehold improvement costs, however with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart.

3) These figures represent the purchase of the necessary furniture, fixtures and equipment from suppliers to operate your Franchised Business including designer suites, premium dog beds, air purification system, and color televisions. The low end of the range assumes that you will be leasing certain equipment. The costs listed here do not include any transportation or set up costs. Third-party financing may be available for qualified candidates for some of the equipment costs, however, with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart.

4) This estimate is for the cost to produce mandatory wall signage to be mounted to the outside of the building as well as all interior signage. Additionally, these figures include various other elements of brand identification within the location. This figure does not include the cost of optional items such as a monument sign (when permitted) or entrance plaques.

5) This estimate is for the cost to purchase the required point of sales system, computer equipment, tablets and software.

6) Initial Inventory includes leashes, food, bowls, waste bags, disinfectants and cleaners, feeding cart, janitorial equipment, shampoo, towels, brushes and dryers.

7) Marketing Collateral Inventory includes print and promotional materials necessary to operate the Resort and participate in local events.

8) This estimate represents a three (3) month deposit of rent for a 4,000-5,000 square foot free-standing facility, commercial warehouse or light industrial space which receives vehicular and/or foot traffic. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract. The amount of rent will depend on local market conditions. This estimate assumes you will be leasing space and that you will not be purchasing real property and building your own building for your Franchised Business.

9) A credit check may be required by the issuing company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality from which they are being contracted.

10) This estimate is for the upfront cost to obtain the minimum required insurance. You should check with your local carrier for actual premium quotes and costs. The cost of coverage will vary based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, the loss experience of the carrier and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry.

11) This estimate is for the cost for three (3) people, including you or your Operating Principal (if you are an entity), your General Manager and your Assistant Manager (if applicable), to attend our initial training program held in Fanwood, New Jersey or the Franchised Location. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses (food, transportation, etc.). This estimate does not include the cost of any salaries for your employees. The low end of the estimate assumes you are within driving distance of our training facility. This cost also includes certain certifications you and your applicable employees must obtain involving pet boarding and health, including completion of a pet first aid and cpr class.

12) You are required to spend at least \$30,000 in advertising and promotions during the 90-day period before your Franchised Business opens.

13) These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. It also includes the cost of a civil engineer, zoning/land-use attorney, planner, structural engineer, inspections, escrow fees and other professionals as needed. The low end of the range represents a location that does not require a zoning process or variances. The high end of the range represents a location that goes through a

local municipality, city or township zoning process. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Franchised Business. The hourly rate for these types of professionals will depend on local market conditions and scope of work. If the zoning portion of the project exceeds a single zoning meeting associated costs and fees may cause the cost to exceed what is indicated in this chart. Associated costs may also change depending on the local township, or municipalities approval process.

14) You are responsible for applying for, obtaining and maintaining all required permits and licenses necessary to operate the Franchised Business. The figures represented here reflect the range of expenditures for licenses and permits to open a Franchised Business in suburban New Jersey.

15) This fee represents the architectural scope of work for the fit out of an existing space: 1) architectural field survey; 2) Sketch Plan; 3) construction documentation; 4) limited construction administration. This fee does not include architectural work for a ground-up build or façade improvements.

16) This fee is payable to us for assistance by us or our designated vendors with site identification, lease negotiation, acquisition, design and construction consultation.

17) This fee is payable for the installation and purchase of safety and security features such as interior cameras, security and fire monitoring systems.

18) This estimates your startup expenses. This estimate includes such items as initial payroll and payroll taxes, additional advertising, the technology fee, marketing and/or promotional activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, deposits and prepaid expenses (if applicable), rent and other miscellaneous items as offset by the revenue you take into the Franchised Business. The above figures do not include interest costs or debt service amounts or any amounts payable to us for royalties or the brand fund. The expenses you incur will depend on factors such as the time of the year that you open, both local economic and market conditions, as well as your business experience.

19) This total amount is based upon the historical experience of our affiliate and franchised locations. Your costs may vary based on a number of factors including but not limited to the geographic area in which you open, local market conditions, the location selected, the time it takes to build sales of the establishment and your skills at operating a business.

YOUR ESTIMATED INITIAL INVESTMENT-TWO UNITS

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT OPERATOR AGREEMENT LUXURY PET HOTEL				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ⁽¹⁾	\$99,000	Lump Sum	Upon signing Multi-Unit Operating Agreement	Us
Other Expenditures for First Unit ⁽²⁾	\$1,780,129- \$2,445,735	Per Table Above	Per Table Above	Per Table Above
Total	\$1,879,129 – \$2,544,735			

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT OPERATOR AGREEMENT BOUTIQUE PET HOTEL				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ⁽¹⁾	\$99,000	Lump Sum	Upon signing the Multi-Unit Operator Agreement	Us
Other Expenditures for First Unit ⁽²⁾	\$1,280,472 - \$1,821,008	Per Table Above	Per Table Above	Per Table Above
Total	\$1,379,472 - \$1,920,008			

YOUR ESTIMATED INITIAL INVESTMENT-THREE UNITS

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT OPERATOR AGREEMENT LUXURY PET HOTEL				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ⁽¹⁾	\$148,500	Lump Sum	Upon signing Multi-Unit Operating Agreement	Us

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT OPERATOR AGREEMENT LUXURY PET HOTEL				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Other Expenditures for First Unit ⁽²⁾	\$1,780,129- \$2,445,735	Per Table Above	Per Table Above	Per Table Above
Total	\$1,928,629 – \$2,594,235			

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT OPERATOR AGREEMENT BOUTIQUE PET HOTEL				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ⁽¹⁾	\$148,500	Lump Sum	Upon signing the Multi-Unit Operator Agreement	Us
Other Expenditures for First Unit ⁽²⁾	\$1,280,472 - \$1,821,008	Per Table Above	Per Table Above	Per Table Above
Total	\$1,428,972 - \$1,969,508			

1) This fee is discussed in Item 5.

2) These are the estimates to build-out your first unit. Costs associated with building out additional units are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs.

None of the expenses listed in the above charts are refundable. We do not finance any portion of your initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

We anticipate that our System standards will change over time. You are required to adhere to these changes. System standards and specifications may regulate required signs, letterhead, business cards and other promotional materials, computer hardware and software, insurance providers and coverage, types and models of authorized equipment and supplies to be used in operating the Franchised Business, and designation of approved suppliers and vendors of these items, including approved project management firms, architects, realtors, engineers, advertising agencies, contractors and technology vendors.

You must purchase all items and products containing the Proprietary Marks, and all furniture, fixtures, decorations, equipment and other specified items exclusively in accordance with our standards and specifications that will be disclosed to you in the Operations Manual or otherwise.

You must purchase these items from us or from suppliers that we designate. We reserve the right to designate ourselves or our affiliate as the only approved supplier for items that we require you to purchase. Currently, neither we nor our affiliate or predecessor are approved suppliers of any item, but we reserve the right to designate ourselves or our affiliate as such in the future. There are no approved suppliers in which any of our officers or directors own an interest. You cannot be a supplier to other franchisees without our express written permission.

Those items for which we have neither designated nor approved suppliers must be purchased in accordance with our standards and specifications as described in the Operations Manual or otherwise. We have the right to modify specifications, standards, suppliers and approval criteria by providing you written notice. There is no limit on our right to do so. You must use our exclusive architect and our designated mechanical engineer to build-out the Franchised Business according to the construction plans we have approved. We require you to use the realtor we designate and a project management firm and advertising agency from our list of approved suppliers. You must purchase our designated SEO package.

We estimate that the current required purchases in accordance with our standards and specifications and designated suppliers are approximately 85% of the cost to establish your Franchised Business and approximately 5%-10% of the ongoing operating expenses of your Franchised Business.

Approval of New Suppliers or Items

If we designate one or more exclusive suppliers for a particular good or service, you may not request to utilize an alternative supplier. However, if an exclusive supplier has not been designated and you desire to purchase any item for which approval is required from a supplier that is not on our approved supplier list, you must request approval of the item or supplier in writing, and we will evaluate the supplier and/or item for approval. Although

we are not contractually bound to evaluate any supplier or item within a definite time period, we will make a good faith effort to evaluate the supplier or item and to notify you of approval or disapproval within 30 days from the date we receive your written request.

Before approving any supplier, we may take into consideration: a) consistency of products and/or name brands, b) economies of scale achieved by larger volumes, c) delivery frequency and reliability, and d) certain other benefits that a particular supplier may offer, such as new product development capability. When approving a supplier, we take into consideration the System as a whole, which means that certain franchisees may pay higher prices than they could receive from another supplier that is not approved. We reserve the right to withhold approval of a supplier for any reason. We do not release our standards and specifications or criteria for supplier approval to System franchisees.

You may not purchase any item from any supplier for which approval is required until you have first received written notification of our approval. Your request is considered denied unless and until you hear otherwise from us. You must reimburse us for our reasonable costs of evaluating and/or testing the proposed supplier or item, regardless of whether we approve the product or item. The current fee is \$500 plus any expenses incurred by us for the testing of the products or items. The cost of testing and expenses will be refunded to the franchisee if the product or item is approved for use for the entire System.

We may withdraw our approval of a supplier at any time, in our sole discretion.

Revenues of Franchisor and Affiliates

We, and our affiliate, may derive income or revenue from franchisee purchases. We and/or our affiliate have the right to receive payments from any supplier, manufacturer, vendor or distributor to you or to other franchisees within our franchise system and to use these monies without restriction, and as we deem appropriate.

During our 2022 fiscal year we earned \$51,068.90 from approved suppliers based on their sales or leases to our franchisees which was approximately 1.2% percent of our total revenues of \$4,137,093. Otherwise, we and our affiliates did not earn any revenue from sales to franchisees.

Approved Location

We must approve the location of your Franchised Business and any applicable lease for the premises. Our approval of the lease will be conditioned upon your execution, and your landlord's execution, of the Collateral Assignment of Lease and Consent of Lessor attached as Exhibit 4 to the Franchise Agreement under which you, as the lessee, conditionally assign to us your rights under the lease.

We will provide you with a sample layout and specifications for a K9 Resorts Business. You must hire our designated licensed architect to prepare your plans and make any necessary changes to our standard layout and specifications. Before we approve your final architectural renderings, plans, and specifications for your Franchised Business, either the architect or you must certify to us that the architectural renderings, plans, and specifications comply with the Americans with Disabilities Act (the "ADA"), the architectural guidelines under the ADA, and all applicable state and local codes for

accessible facilities.

You must obtain certain items of furniture and inventory from sources we approve. You must obtain certain items for the opening of your Franchised Business through vendors that we have approved. Only the marketing materials that we approve are permitted at your Franchised Business. You must display a sign at all times that states “Independently owned and operated.” You must accept all major credit cards for customer purchases. This requirement may require that you invest in additional equipment and that you incur fees from the credit card processing vendors that we designate.

Computer Purchase

You must purchase our specified computer system or an alternative system we approve and must purchase software and/or subscribe to any internet based programs we require. We reserve the right to designate ourselves or our affiliate as the sole supplier of required software or subscription services. We also reserve the right to designate other exclusive technology vendors. You must have a maintenance contract for your computer system with a supplier approved by us.

Advertising

All advertising and promotion of your Franchised Business must conform to our specifications and standards and must be approved by us in advance. You must submit to us, for our approval, at least thirty (30) days in advance of placement deadline, copies of all advertising and promotional materials, including but not limited to, business cards, signs, displays and mail outs. You must use our approved advertising agency to handle all of your local advertising and must enter into an agreement with the vendor allowing it to ACH all fees and contributions.

Insurance Requirements

You must obtain and keep in force at a minimum the insurance we require in the Confidential Operations Manual or otherwise. You currently must maintain the following insurance coverage: (1) comprehensive general liability coverage against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of your Franchised Business or your conduct of business, including coverage for dog illnesses, lost dogs, hurt dogs or death of dogs under your care, under one or more policies of insurance containing minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 aggregate; (2) automobile liability (split limit) of \$250,000 per person, \$500,000 per accident, and \$100,000 property damage for any vehicles used in the operation of the Franchised Business; (3) business property insurance at replacement cost; (4) business interruption and rent insurance for a period adequate to re-establish normal business operations, but not less than \$1,000,000 per occurrence; (5) an umbrella liability insurance policy with minimum liability coverage of \$2,000,000; (6) employer’s liability of \$1,000,000 per incident and Workers’ Compensation or other employer’s liability insurance as well as any other insurance that may be required by statute or rule in the state in which your Franchised Business is located; (7) professional liability of \$1,000,000 per incident and \$1,000,000 aggregate; and (8) any other insurance that we may require in the future or that may be required according to the terms of your lease. Defense costs cannot erode policy limits.

If the lease for your Franchised Business premises requires you to purchase insurance with higher limits than those we require, the lease insurance requirements will take precedence. All insurance policies must contain a separate endorsement naming us and our officers, directors, managers, members, limited partners, general partners, shareholders, parents, affiliates, independent contractors and employees as additional insureds using ISO form CG2029 or an equivalent endorsement (no blanket additional insured language is acceptable) and must be written by an insurance carrier accepted by us in writing with an A. M. Best and Standard and Poor’s rating of at least “A-“ or better. You must provide us with all information requested by us to assist us in determining whether a carrier is acceptable. We may require that you obtain insurance from a carrier we designate. No insurance policy may be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days’ prior written notice from the insurance carrier to us. Upon request, you must provide us with a currently issued certificate of insurance evidencing coverage in conformity with our requirements. We may increase or otherwise modify the minimum insurance requirements upon 30 days’ prior written notice to you, and you must comply with any modification. We may obtain insurance coverage for your business if you fail to do so, at your cost.

If you will be engaging in any construction, renovation or build-out of the premises for the Franchised Business, either you or your third-party contractor must have in force for the duration of said project, Commercial General Liability insurance and Worker’s Compensation and Employer’s Liability insurance in the amounts listed above as well as Builder’s Risk insurance in an amount approved by us.

Purchasing or Distribution Cooperatives

We may negotiate purchase arrangements with some of our suppliers (including price terms and product allocations) for the benefit of System franchisees, but we are under no obligation to do so. There are currently no purchasing or distribution cooperatives related to the K9 Resorts System.

Material Benefits

We do not provide material benefits to franchisees, such as renewal rights or ability to purchase additional franchises, based on your use of approved or designated sources.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	3; 5.1	Items 6 and 11
b. Pre-opening purchases/leases	3.3	Items 7 and 8

Obligation	Section in Franchise Agreement	Item in Disclosure Document
c. Site development and other pre-opening requirements	5	Items 6, 7 and 11
d. Initial and ongoing training	5.3	Items 6, 7 and 11
e. Opening	6.1	Item 11
f. Fees	4	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	5.5; 6.2; 6.9	Items 8 and 11
h. Trademarks and proprietary information	Background Section B; 6.7	Items 13 and 14
i. Restrictions on products/services offered	6.9	Items 8 and 16
j. Warranty and customer service requirements	6.12	Item 11
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	6.2; 6.9	Item 8
m. Maintenance, appearance and remodeling requirements	6.36	Items 6 and 11
n. Insurance	7.6	Items 6, 7 and 8
o. Advertising	4.3	Items 6, 7 and 11
p. Indemnification	7.2	Item 6
q. Owner's participation/management/staffing	6.3.5	Items 11 and 15
r. Records and reports	4.3.1; 4.7; 4.8	Item 6
s. Inspections/audits	4.8; 6.7	Items 6 and 11
t. Transfer	8	Item 17
u. Renewal	2.2	Item 17
v. Post-termination obligations	10	Item 17
w. Non-competition covenants	7.4	Item 17

Obligation	Section in Franchise Agreement	Item in Disclosure Document
x. Dispute resolution	12.2; 12.3; 12.4; 12.11; 12.12; 12.13;	Item 17
y. Liquidated damages	Not applicable	Not applicable
z. Guaranty	Exhibit 3	Item 1

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee 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 you with any assistance.

Pre-Opening Obligations

Before you open your Franchised Business, we are obligated under the Franchise Agreement to:

1. Review and approve or disapprove proposed sites for the location of your Franchised Business and review and approve or disapprove the proposed lease or purchase agreement for the premises. (Sections 3.1 and 3.2 of the Franchise Agreement). When evaluating a potential site, we will consider factors such as general location and neighborhood, distance from neighboring franchisees, proximity to major roads, residential areas and commercial businesses, traffic patterns, lease terms, and demographic characteristics of the area.
2. Provide you a copy of a floor plan design for a prototypical K9 Resort. (Section 5.2 of the Franchise Agreement). You must hire our exclusive architect and a mechanical engineer approved by us to prepare your plans and make any necessary changes).

3. Provide initial tuition-free training for up to three (3) people, including you or your Operating Principal (if you are an entity), your General Manager and your Assistant Manager (if applicable), to attend our initial training program held in Fanwood, New Jersey or at the Franchised Business location (Section 5.3.1 of the Franchise Agreement). We will also provide you continuing consultation and advice as we deem advisable before your Franchised Business opens for business. (Section 5.3.2 of the Franchise Agreement).
4. Provide you with information regarding the selection of suppliers of products, initial inventory, supplies, signs, fixtures, equipment, computer hardware and software and other merchandising needs of your Franchised Business (Section 6.2 of the Franchise Agreement). We will make available to you, a list of required, approved and recommended suppliers for these items and you will contract directly with said suppliers.
5. Loan you or otherwise provide you with access to a specifications, operations and procedures manual, and one copy of other books, binders, videos or other electronic media, intranet postings and other materials, referred to collectively as the "Operations Manual," containing mandatory and suggested standards, operating procedures and rules which we prescribe, as well as information relating to your other obligations under the Franchise Agreement. (Section 5.5 of the Franchise Agreement). We have the right to add to and otherwise modify the Operations Manual as we deem necessary and reasonable. We may provide the Operations Manual solely through our website(s), and/or intranets, or other electronic means without any need to provide you with a paper copy or other physical format (Section 5.5 of the Franchise Agreement). Attached, as Exhibit G, is a copy of the table of contents of our Operations Manual as of the issuance date of this Disclosure Document. There are 361 pages in our Operations Manual.

If you are a Multi-Unit Operator, in addition to assigning you a Development Area, we will do the following:

1. We will review site survey information on sites you select for conformity to our standards and criteria for potential sites and, if the site meets our criteria, approve the site for a Franchised Business (Multi-Unit Operator Agreement – Section 5.1.3).
2. We will provide you with standard specifications and layouts for building and furnishing the Franchised Business (Multi-Unit Operator Agreement – Section 5.1.4).
3. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications (Multi-Unit Operator Agreement – Section 5.1.5).
4. We may conduct on-site evaluations, as we deem advisable, as part of our evaluation of the site for a Franchised Business (Multi-Unit Operator Agreement – Section 5.1.2).

5. We will provide other resources and assistance as may be developed and offered to our Multi-Unit Operators (Multi-Unit Operator Agreement – Section 5.1.2).

Site Selection and Opening

If we have not yet designated an accepted location for the Franchised Business when the Franchise Agreement is signed then you are responsible for locating a site within a specified geographic site selection area (the “Search Area”). The Search Area is delineated for the sole purpose of site selection and does not provide any territorial exclusivity or protection. You must acquire an acceptable site within twelve (12) months and open your K9 Resorts Business within eighteen (18) months from the effective date of the Franchise Agreement. If you fail to acquire an acceptable site within one year, we will grant you a 120-day extension so long as you have engaged our designated realtor and are actively pursuing an acceptable location for your K9 Resorts Business. If you are not actively pursuing a location for your K9 Resorts Business we may terminate the Franchise Agreement.

We anticipate that franchisees will typically open for business within 18 months after they sign the Franchise Agreement or pay any consideration for the franchise. The actual length of time it will take you to open your K9 Resorts Business will depend upon certain critical factors such as: (i) your ability to obtain a mutually acceptable site and the lease for the site; (ii) your ability to obtain acceptable financing; (iii) your ability to timely obtain required permits and licenses; (iv) the scheduling of the training program; (v) the timely completion of leasehold improvements; and (vi) the amount of time necessary to train personnel and to obtain necessary inventory, equipment and supplies.

Prior to opening, you must obtain our prior written approval for the Approved Location and our prior written approval for a lease (which complies with our lease requirements). There is no contractual limit on the time it takes us to accept or reject your proposed location. Generally, we do not take more than 15 days from the time we receive the information requested by us, to accept or reject your proposed location.

We will provide you with assistance with local agent sourcing, site identification, lease negotiation, design, zoning and construction consultation through communication and coordination with brand consultants and our vendors (Section 5.1 of the Franchise Agreement). This assistance utilizes software, developed at the brand’s expense, to facilitate some of the processes. The exact combination of services performed at your Franchised Business may differ depending upon market conditions, building requirements, and other factors. The following services are included in the Real Estate and Facility Coordination package and are covered by the applicable Real Estate and Facility Coordination fee.

Deliverable	Description	Timing
Real Estate Agent Sourcing	Our team will source and vet real estate agents local to your market area. (See Note (a)).	After signing the franchise agreement.
Demographic Analysis	You will receive a	After signing the franchise

	demographic analysis of the Development Area and of each site entering the LOI/Lease Phase. (See Note (b))	agreement.
Site Selection Review	Our operations team member(s) will facilitate bi-weekly calls to assist in managing the site selection process. This includes, but is not limited to, evaluating sites based on size, unit economics, operational functionality and logistical customer experience.	After local real estate agent is selected.
LOI	Our operations team will assist your real estate team with preparing and submitting a Letter of Intent for each proposed property. (See Note (c)).	When an Approved Location is agreed upon.
Lease Negotiation	Our operations team will assist your real estate team and provide input in negotiating terms of a lease. (See Note (c))	After acceptance of LOI
Design Evaluation	Our operations team member(s) will review floor plans and elevation drawings to provide feedback and suggestions based on location and sizing of revenue generating spaces, operating pathways and overall fit with the base franchise prototype. (See Note (d)).	During zoning phase
Zoning – Operational Data Support	Our operations team member(s) will virtually attend calls leading up to a zoning hearing date. Our operations team member(s) will virtually or physically attend one (1) zoning hearing and testify to the brand and its operations. (See Note	During zoning phase

	(e).	
General Contractor Bid Review and Construction Support	Our operations team member(s) will review bid proposals from general contractors and provide suggestions to you. We will also provide ongoing construction support. (See Note (f)).	After zoning approval & construction drawing completion

- a) *Real Estate Agent Sourcing* – The agents will be educated about the franchise system, site criteria and standard operating forms. Once this is completed our operations team will host a real estate kick-off call. Agent fees are not included in the Real Estate & Facility Coordination Fee.
- b) *Demographic Analysis* - We and/or our designated provider will prepare for you a market demographic study for your search area to assist you in identifying target market areas based upon demographic benchmarks. Upon request we and/or our designated provider will prepare demographic information for each site entering the LOI/Lease phase.
- c) *LOI - Lease Negotiation* –The local agent will act as a real estate broker and coordinate with you and your attorney. You are advised to retain legal representation for any real estate transaction. Attorney fees and real estate agent fees are not covered by the Real Estate & Facility Coordination Fee
- d) *Design Evaluation* – This occurs once the Approved Location has been leased. Architectural fees are not covered by the Real Estate & Facility Coordination Fee, estimated fees can be found item 7.
- e) *Zoning – Operational Data Support* –Your zoning team will be provided information about the operations side of K9 Resorts; including but not limited to, sample employee counts, boarding and daycare counts, seasonality, sanitation procedures, and operating protocols. This includes the cost of travel and board for one team member to attend. Any attorney or professional fees are not included in the Real Estate and Facility Coordination Fee. There is no discounted rate off of the Real Estate and Facility Coordination Fee if a zoning hearing is not required for a given location.
- f) *General Contractor Bid Review and Construction Support* – Our operations team member(s) will communicate with your choice of pre-approved general contractors, as needed, to facilitate answering questions needed for the completion of the project. Additional support will be provided in reviewing change orders, impact of modifications and expenses associated with unexpected and unpredictable events.

Any activities that are not explicitly included in the Real Estate and Coordination Fee are outside the scope of what we offer and are at your sole expense. This includes, without limitation, architect fees, construction management fees beyond coordination, construction costs, inspection fees, license submission fees, attorney’s fees, agency fees,

and other direct and indirect costs associated with the procurement and build out of your Franchised Business.

You may not open for business until: (i) you pay the initial franchise fee and other amounts due to us or our affiliate, parent or predecessor; (ii) we notify you in writing that your Franchised Business meets our standards and specifications; (iii) you and your General Manager and/or Assistant Manager have successfully completed initial training to our satisfaction and have obtained the required certifications; (iv) you have provided us with certificates of insurance for all required insurance policies; and (v) you have received our written approval.

We will provide opening assistance for up to seven days at no additional charge for your Franchised Business if this is your first franchised business. Opening assistance for existing franchisees is provided at our discretion. (Section 5.3.2 of the Franchise Agreement).

Continuing Obligations

During the operation of your Franchised Business, we are obligated under the Franchise Agreement to:

1. Provide periodic assistance we deem appropriate and advisable. Subject to availability of personnel and at your request, we will make personnel available to provide additional on-site assistance at your location, at our then current fee. (Section 5.3.2 of the Franchise Agreement).
2. Provide, in addition to the assistance rendered to you prior to opening and in connection with your opening, continuing consultation and advice as we deem advisable regarding merchandising, inventory, sales techniques, personnel development and other business, operational and advertising matters that directly relate to the Franchised Business. This assistance may be provided by telephone, facsimile, email, postings to our intranet, periodically through on-site assistance by appropriate personnel, and/or other methods. (Section 5.4 of the Franchise Agreement).
3. Approve the type of products and services offered in your Franchised Business, as we may periodically modify. (Section 6.9 of the Franchise Agreement).
4. Permit you to use our confidential information. (Section 6.5 of the Franchise Agreement).
5. Permit you to use our Proprietary Marks designated by us. (Section 6.6 of the Franchise Agreement).
6. Administer contributions to the brand development fund for as long as we maintain a fund. (Section 4.3.3 of the Franchise Agreement).

Advertising Programs

We have established a brand development fund to be administered for the common benefit of System franchisees (the "Fund"). Under the Franchise Agreement, we have the right to require you to contribute up to 2% of your monthly Gross Revenues to the Fund (currently 1%). (Section 4.3.3.1 of the Franchise Agreement).

Neither we, nor our affiliate-owned K9 Resorts Businesses, are contractually required to contribute to the Fund, although they may contribute, in our discretion. We have the sole right to determine contributions and expenditures from the Fund, or any other advertising program, and sole authority to determine the selection of the advertising materials and programs. We are not required, under the Franchise Agreement, to spend any amount of Fund contributions in your Protected Area and not all System franchisees will benefit directly or on a pro rata basis from these expenditures. (Section 4.3.4.3 of the Franchise Agreement). We have the right to use Brand Development Fund contributions, at our discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including the costs of preparing and conducting radio, television, electronic and print advertising campaigns in any local, regional or national medium; utilizing networking sites and social media, such as Facebook, Twitter, LinkedIn, and on-line blogs and forums; creating and/or maintaining a presence in virtual worlds; developing, maintaining, and updating a World Wide Web or Internet site for the System; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering in-store promotions and "mystery shopper" program(s) which may include call recording; implementation and use of Customer Relationship Management software and solutions; and providing promotional and other marketing materials and services to the resorts operating under the System. Our decisions in all aspects related to the Fund will be final and binding. We may charge the Fund for the costs and overhead, if any, we incur in activities reasonably related to the creation, implementation and administration of the Fund and the advertising and marketing programs for franchisees. These costs and overhead include: (i) the cost of preparing advertising campaigns and other public relations activities, (ii) the cost of employing advertising agencies, including fees to have print or broadcast advertising placed by an agency and all other advertising agency fees, and (iii) the proportionate compensation of our employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the Fund. (Section 4.3.4.2 of the Franchise Agreement).

We do not anticipate that any part of your contributions to the Fund will be used for advertising that is principally a solicitation for the sale of additional franchises, but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. (Section 4.3.4.2 of the Franchise Agreement). We also reserve the right to require you to place a "franchises available" sign (which signage will be provided by us) at a location we designate at your Franchised Business.

Advertising to be used by the Fund or by you locally may be produced in-house or through an outside agency. (Section 4.3.4.2 of the Franchise Agreement).

Although we anticipate that all Fund contributions will be spent in the fiscal year in which they accrue, any remaining amounts will be carried over for use during the next fiscal year. We do not owe you any fiduciary obligation for administering the Fund. The Fund may spend more or less than the total Fund annual contributions in a given fiscal year and may borrow funds to cover deficits. If we terminate the Fund, we may choose to spend the funds in accordance with our then-current marketing policies or distribute funds to franchisees on a pro-rata basis. There is no requirement that the Fund be audited. Upon your written request, we will provide you with un-audited fiscal year-end financial statements and accountings of Fund expenditures. (Section 4.3.4.2 of the Franchise Agreement). We may incorporate the Fund or operate it through a separate entity if we deem appropriate and we may maintain contributions to the Fund in a separate bank account or hold them in our general account and account for them separately.

We spent the Fund contributions we received during our 2022 fiscal year as follows:

	Percentage
Agency fees to design marketing collateral and promotional items	35%
Digital Marketing, SEO	26%
Branded App	3%
Brand Advertising	31%
Direct Mail and Sponsorships	1%
Quality Control	4%
Total	100%

We may also establish special promotional programs. You are required to participate in special promotional programs and you must pay your share of the cost of developing and implementing the program, including common development, design and advertising costs. You must participate in all rebate programs and must offer all discounts required by us. (Section 4.3.3.4 of the Franchise Agreement).

There is currently no advertising council in place for the System.

Local Advertising

In addition to your required Fund Contributions, during your first 4 months of operation, you must spend at least \$20,000 (a minimum of \$5,000 per month) to advertise the Franchised Business, which must include amounts spent on creating a virtual video tour. Thereafter, you are required to spend 3% of your monthly Gross Revenues, subject to a minimum of \$2,000 per month. If the Franchised Business is exceeding annual Gross Revenues of more than \$1,250,000, you are required to spend 2% of your monthly Gross Revenues, subject to a minimum of \$2,000 per month. You may use your own advertising material so long as you have received prior written permission from us. You must use our approved vendor to handle all of your local advertising. (Section 4.3.3 of the Franchise Agreement). If you propose to use any advertising which we have not previously approved, we have the right to condition approval of your proposed advertising upon your

agreement to provide other System franchisees, whose businesses are located within the circulation area of the proposed advertising, the opportunity to contribute to and to participate in the advertising. You must provide any proposed advertising to us at least 30 days before placement deadline. We are not contractually obligated to approve or reject any advertising submitted to us within the 30 days, but we will attempt to do so. You may not use the advertising unless we give you approval in writing. At our request you must include certain language in your local advertising materials, including “Franchises Available” and/or “Each Franchise Location Independently Owned and Operated”, our website address and telephone number. (Section 4.3.2 of the Franchise Agreement). We are not required under the Franchise Agreement to spend any amount on advertising in your local area or your Protected Area. You may not establish a website using or displaying any of the Proprietary Marks, and you may not advertise your Franchised Business or the sale of products or services offered by your Franchised Business on the Internet (including in any virtual worlds) or through social media accounts operated by you or by others, except as we permit. We may host and give you access to a separate web page for your Franchised Business on our website(s). However, your webpage may be removed and all mention of your Franchised Business location may be removed from our website and/or social media accounts anytime you are found to not be in compliance with the System or anything required under the Franchise Agreement. Access will be reinstated only once violations are deemed cured, in our sole discretion. Any electronic materials you propose to use must be approved in advance by us before publication to any site. (Section 4.3.5 of the Franchise Agreement). You may not advertise your Franchised Business or the sale of products or services offered by your Franchised Business outside of your Protected Area, without our prior written consent.

In addition to your Local Advertising Requirements, you are also required to participate in our designated local SEO package. This package provides continued search engine optimization, including ongoing analysis of your local market, basic strategies related to on-site optimization, as well as ongoing Google My Business (GMB) listing optimization. The package will be taking advantage of new GMB features as they roll out, monitoring your local market, reporting competitor GMB spam, and more. Alongside implementing strategies on GMB, it will perform basic on-site keyword optimization strategies. The basic local SEO package is currently \$399 per month with a one-time setup fee of \$300. This fee is paid directly to our designated vendor and is not credited towards your Local Advertising Requirements.

Grand Opening Advertising

You must spend at least \$30,000 in advertising and promotions during the period 90 days before you open for business. You must keep detailed records of all expenditures and provide them to us within 15 days if requested. (Section 4.3.1 of the Franchise Agreement). Your campaign should include brochures, give-aways (magnets, key chains, picture frames, food bag clips), newspaper advertising, brochures placed at local veterinary offices and direct mailings. You must use an approved advertising agency. We reserve the right to require you to allow us to perform the campaign on your behalf, at your cost.

Advertising Cooperatives

If we establish an advertising cooperative within a geographically defined local or regional

marketing area in which your Franchised Business is located, you must participate and abide by any rules and procedures the cooperative adopts and we approve. You will contribute to your respective cooperative an amount determined by the cooperative, but not to exceed 2% of your monthly Gross Revenues. Amounts contributed to a cooperative will be credited against monies you are otherwise required to spend on local advertising. We have the right to draft your bank account for the advertising cooperative contribution and to pass those funds on to your respective cooperative. Our affiliate owned businesses will have no obligation to participate in any such advertising cooperatives. (Section 4.3.6 of the Franchise Agreement).

The cooperative members are responsible for the administration of their respective advertising cooperative, as stated in the by-laws that we approve. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. We may require a cooperative to prepare annual or periodic financial statements for our review. Each cooperative will maintain its own funds; however, we have the right to review the cooperative's finances, if we so choose. Your Franchised Business may not benefit directly or proportionately to its contribution to the Cooperative.

We reserve the right to approve all of a cooperative's marketing programs and advertising materials. On 30 days written notice to affected franchisees, we may terminate or suspend a cooperative's program or operations. We may form, change, dissolve or merge any advertising cooperative.

Referral Fee

Currently, we pay a referral fee in the amount of \$10,000 to existing franchisees who provide us with prospective franchisee leads that result in the signing of a Franchise Agreement. This referral program is administered in our sole discretion and may be changed or discontinued by us at any time. The amount of the referral fee is also subject to change at any time. Those who are eligible to participate in this referral program and who refer prospective franchisees are not acting as our agent and do not speak for us, despite the receipt of a referral fee. We do not control what these individuals say, and we cannot guarantee the accuracy of any statement made by them, to you or any other prospective franchisee.

Computers and Point of Sale Systems

We have the contractual right to develop a point of sale (POS) system and a backroom computer system for use in connection with the System. You must acquire computer hardware equipment, software, telecommunications infrastructure products and credit card processing equipment and support services we require in connection with the operation of your Franchised Business and all additions, substitutions and upgrades we specify. Your computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support our then-current information technology system. (Section 6.9.5 of the Franchise Agreement). We may provide you with a K-9 Resorts e-mail address. We own all K-9 Resorts e-mail addresses that you are permitted to use and have full access to all communications sent and received using those addresses. When conducting business with customers, vendors or suppliers of your Franchised Business via e-mail, you must use any K-9 Resorts e-mail address provided by us.

We will have the right to independently access information and data collected by the POS system or otherwise related to the operation of your Franchised Business. You must allow us to access the information remotely and we shall have the right to disclose the information and data contained therein to the System. There is no contractual limitation on our right to access this information and data. (Sections 4.6 and 6.9.5 of the Franchise Agreement).

Currently, we are requiring you to purchase a Windows based computer system which meets the minimum specifications outlined in our Operations Manual. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. We also require you to have a printer, scanner, fax machine and copier. You must accept all major credit cards for customer purchases. This requirement may require that you invest in additional equipment.

You will be required to purchase a subscription to and/or license software. We estimate that your initial cost will be approximately \$1,200 and ongoing monthly charges will be approximately \$200 per month.

We estimate that your cost to purchase a designated computer and POS system will range from \$6,000- \$7,000. You are required to have a maintenance contract for your computer system and software, which we estimate will cost approximately \$600-\$1,200 per year.

You must upgrade or update your computer equipment and software to comply with our current requirements within thirty days of a change in our requirements. There is no contractual limitation on the frequency or cost of required updates or upgrades. In addition to any charges imposed by computer hardware and software vendors, we may charge you a reasonable technology fee for modifications and enhancements we or our vendors or representatives make to proprietary software and for other maintenance and support services that we may furnish to you. We reserve the right to adopt new technology at any time, which may result in additional fees to you that are not currently known.

Additional Investment

We reserve the right to periodically make changes to the System, including the training curriculum, certifications, standards, facility location requirements, signage, equipment, and fixtures requirements. In the event we make any of these types of changes, or your equipment or facilities wear out or become obsolete (including no longer complying with System standards or requirements), you may have to make, on an as-needed basis, additional investments in your Franchised Business. You must maintain the Franchised Business and the Approved Location in "like new" condition, normal wear and tear excepted, and shall repaint, redecorate, repair or replace equipment, fixtures and signage as necessary to comply with our standards and specifications.

Once every five years, we may require you to refurbish or remodel your Franchised Business in accordance with our then-current brand image and standards, including those relating to fixtures, furnishings, signs, trade dress and equipment. (Section 6.3.6 of the Franchise Agreement).

Training Program

Initial Training Schedule

Subject	*Hours of Classroom Training	**Hours of On-the-Job Training	Location
Learning Portal	2	0	Fanwood or Hamilton, NJ and/or the Franchised Business location
Dog Handling	1	3	Fanwood or Hamilton, NJ and/or the Franchised Business location
Dog Behavior	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Resort Basics	2	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Safety	1	1	Fanwood or Hamilton, NJ and/or the Franchised Business location
Polices	2	0	Fanwood or Hamilton, NJ and/or the Franchised Business location
Bathing	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Daily Checklists	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Sanitation	1	6	Fanwood or Hamilton, NJ and/or the Franchised Business location
Daycare Introductions	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Daycare	1	4	Fanwood or Hamilton, NJ and/or the

			Franchised Business location
Feeding	1	3	Fanwood or Hamilton, NJ and/or the Franchised Business location
Medication	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Customer Service	2	6	Fanwood or Hamilton, NJ and/or the Franchised Business location
Reservation Process	2	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Check-in/Check-out	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Tours	1	2	Fanwood or Hamilton, NJ and/or the Franchised Business location
Point of Sales	2	8	Fanwood or Hamilton, NJ and/or the Franchised Business location
Marketing	1	1	Fanwood or Hamilton, NJ and/or the Franchised Business location

*This includes “virtual” training.

**“On-the-job” training hours may be converted to “classroom” training hours if we determine that in person training is not advisable due to health and safety reasons or otherwise in our discretion. In that case, remote training will be conducted.

The initial training program is designed to provide training in the operation and management of a K9 Resorts Businesses. The initial training program will be held in our Fanwood, New Jersey or Hamilton, New Jersey location, at your Franchised Business, or other place (including virtual training) as we designate. Training is expected to last ten days. Training for up to three people is included in the initial franchise fee. You (or your Operating Principal if you are an entity), your General Manager and your Assitant Manager (if applicable) are required to attend. Each of your additional and/or replacement managers must attend, and complete the initial training program to our satisfaction before assuming management responsibility at our then-current cost for additional initial training (currently \$1,500 per person). Training must be completed thirty days prior to the

opening of your K9 Resorts Business. Additionally, you and your employees must hold all required pet care certifications by pet care organizations designated by us. We estimate the cost for this will be approximately \$150-230 per person. All of your employees must complete and pass our internal required training prior to beginning work. There is no additional cost for this internal training.

If additional training is otherwise required you must pay us our then-current tuition for additional on-site training which currently ranges from approximately \$2,500-\$7,500. The fee will be determined based on your location, needs and the level of assistance provided. You will be responsible to pay for the travel, lodging and meal costs of our trainers.

You are responsible for all training-related expenses including transportation to and from the training site, lodging and dining expenses. In addition, if your employees will receive a salary during training, you are solely responsible for paying their salary.

Our training program is conducted under the direction of our Co-Chief Executive Officers, Steven E. Parker and Jason D. Parker. Steven and Jason Parker each have over 15 years of experience with our affiliate operating dog daycare and boarding businesses.

There currently are no fixed (such as monthly or bi-monthly) training schedules. We will hold our training program on an "as needed" basis, depending on the number of franchisees and their employees needing training.

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained.

We reserve the right to hold periodic refresher training programs, which we expect to hold at least annually, and we may designate that attendance at refresher training is mandatory for you and/or any of your personnel. We reserve the right to require you to pay our then-current cost for the training in addition to all expenses your trainees incur while attending refresher training, including travel, lodging, meals and wages.

We reserve the right to hold a meeting or convention of our franchisees, which will not be held more frequently than annually. We may designate that attendance at a franchisee meeting by you, your Operating Principal and/or certain of your General Manager or other personnel is mandatory. In situations where full attendance is not mandated, at least one franchisee owner, or representative that we designate, must attend. We do not expect that a franchisee meeting will last longer than three days in any calendar year. We may conduct franchisee meetings to discuss new procedures or protocols, marketing strategies, new products or services, and/or to provide training. We may designate the location of the meeting (including a block of hotel rooms set aside for our franchisees). We will not designate an unreasonably expensive location. We reserve the right to charge a fee for the franchisee meeting (currently not to exceed \$500), and you must pay all expenses incurred by you, your manager and/or any other attendees at the franchisee meeting, including travel, lodging, meals, applicable wages and meeting materials. If you do not attend an annual meeting that we require you to attend, you will pay us our then current fee (currently \$500).

ITEM 12

TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate one K9 Resorts franchise at the specific location identified in the Franchise Agreement either at signing or as subsequently identified and mutually acceptable to both you and us and us.

If the lease term is shorter than the term of the Franchise Agreement and the lease cannot be renewed or extended, or you cannot continue for any other reason to occupy the premises of the Franchised Business, you must relocate your Franchised Business to a site mutually acceptable to you and us in order to complete the balance of the term of the Franchise Agreement. You must give us notice of your intent to relocate, must pay the relocation fee, must procure a site acceptable to us within 60 days after closing the prior location, and must open the new K9 Resorts location for business within 180 days of closing the previous one. We may or may not agree to such relocation based upon various criteria including, but not limited to: area demographics, estimated market demand and proximity to other System franchisees. If you fail to comply with the relocation requirements, we may terminate the Franchise Agreement.

We will provide you with a Protected Area subject to the following terms, conditions and limitations set forth in this Item: if you are in compliance with the Franchise Agreement, we will not own, operate, franchise or license any other K9 Resorts business within the Protected Area during the Term of the Franchise Agreement. Although no other K9 Resorts businesses will be physically located within your Protected Area, your Protected Area may overlap with those of other franchisees or affiliate-owned locations. You have no right to distribute any services or products offered in the Franchised Business through any alternate channels of distribution, including but not limited to, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery System (collectively, the “Electronic Media”); or through telemarketing, catalogs or other mail order devices.

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

We and/or our affiliate and predecessor reserve all other rights with respect to your Protected Area, which include but are not limited to:

- (i) in connection with a merger or acquisition, the right to own, operate, franchise or license businesses operating under names other than those identified by the Proprietary Marks, regardless of whether or not these other concepts offer products and services similar to or competitive with those offered by your Franchised Business and regardless of location, and the right to convert those locations to K9 Resorts businesses;
- (ii) the right to be acquired by (or merge or become affiliated with) any other

business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of franchised businesses;

(iii) the right to establish and operate, and allow others to establish and operate, businesses that may offer products and services which are identical or similar to products and services offered by K9 Resorts Luxury Pet Hotels or Boutique Pet Hotels, under other trade names, trademarks, service marks and commercial symbols different from the Proprietary Marks; and

(iv) the right to distribute products and services in alternative channels of distribution whether now existing or developed in the future, identified by the Proprietary Marks or other marks we and/or our affiliate or predecessor own or license, through any distribution method we or our affiliate may establish, and may franchise or license others to do so, both within and outside the Protected Area, regardless of whether the offering of products or services in the other channels of distribution compete with your Franchised Business (which alternative channels of distribution include but are not limited to: sales of services and products at or through mail order, catalog, tele-marketing, direct mail marketing, or via the internet, and any similar outlets or distribution methods).

We and our affiliate, parent and predecessor are under no obligation to pay you any compensation for selling similar products or services through other channels of distribution under the same and/or different proprietary marks within the Protected Area.

We and/or our affiliate, parent and predecessor retain the right to use and to license others to use the System for the operation and licensing of other System franchisees at any locations outside of the Protected Area.

The continuation of your right to operate in the Protected Area is not dependent upon achieving a certain sales volume, market penetration or other contingency.

When the Approved Location is identified, we will mutually agree on a "Protected Area," that will be described by zip codes or geographical boundaries (such as streets, towns or counties) identified on Exhibit 1 of the Franchise Agreement. Your Protected Area will typically be a four-mile radius around your Franchised Business or include a population of 160,000 people, whichever is less. Typically, your Protected Area is described in terms of a specific geographic radius surrounding your approved location. Protected Areas vary in size depending on population density and other demographic factors, including: the population base; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; location of competing businesses and major and restricting topographical features which clearly define contiguous areas, such as rivers, mountains, major freeways and underdeveloped land areas. Such factors may necessitate the Protected Area being greater than or less than the radii mentioned above.

As part of the process of renewing the Franchise Agreement, we reserve the right to re-evaluate the then-existing Protected Area according to certain demographics and our then-current standards. A re-evaluation of the Protected Area may result in the renewal Protected Area being smaller or larger than the original Protected Area.

You are unrestricted as to the geographic area from which you may obtain business as a System franchisee. However, except as we otherwise approve, you may not take part in

any sales from a location other than the premises of your Franchised Business and may not actively market outside your Protected Area.

You are strictly prohibited from selling any product at wholesale.

We do not offer franchisees any option, right of first refusal or any similar right to acquire additional franchises within the Protected Area or contiguous territories.

Multi-Unit Operator Agreement

If you enter into a Multi-Unit Operator Agreement, we will define a Development Area within which you will have the right to locate and secure the accepted Approved Location for each K9 Resorts franchise you must open under your Development Schedule. The size of the Development Area will likely vary among new prospects and developers, with the size of your Development Area typically depending on the demographics of the area in and around the region you wish to develop.

We typically identify your Development Area early during the franchise due diligence and offer process, based on where you tell us you wish to operate, and the agreed-to geographic description is inserted into your Multi-Unit Operator Agreement before you sign it. The Development Area may not be modified at any time during the term of the Multi-Unit Operator Agreement unless the parties mutually agree to the modification in a separate signed writing. Typically, your Development Area will be all or part of a Metropolitan Statistical Area (MSA). You maintain your rights to your Development Area, even if the population increases.

Your Development Schedule will depend on the number of K9 Resorts locations you acquire the rights to develop in your Multi-Unit Operator Agreement. If you enter into an agreement granting you the rights to develop three units, your Development Schedule will typically be as follows:

Development Period	Number of new locations within Development Period	Cumulative No. of locations that must be open & operating
Within 18 months from Effective Date	1	1
Within 36 months from Effective Date	1	2
Within 48 months from Effective Date	1	3

We do require that you locate, review, and secure these Approved Locations using our approved supplier for site selection services.

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

Once you have secured an Approved Location for a given K9 Resorts franchise to be developed per your Multi-Unit Operator Agreement, we will grant you a Protected Area around that Approved Location as described above.

Upon completion of your Development Area in the Multi-Unit Operator Agreement, your rights to develop K9 Resorts franchises within the Development Area will end and you will have no further rights in the Development Area, except for the individual Protected Areas granted under the Franchise Agreements you have signed with us.

We and/or our affiliate or predecessor reserve all other rights with respect to your Development Area, which include but are not limited to:


- (i) in connection with a merger or acquisition, the right to own, operate, franchise or license businesses operating under names other than those identified by the Proprietary Marks, regardless of whether or not these other concepts offer products and services similar to or competitive with those to be offered by your Franchised Businesses and regardless of location, and the right to convert those locations to K9 Resorts businesses;
- (ii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of franchised businesses;
- (iii) the right to establish and operate, and allow others to establish and operate, businesses that may offer products and services which are identical or similar to products and services offered by K9 Resorts Luxury Pet Hotels or Boutique Pet Hotels, under other trade names, trademarks, service marks and commercial symbols different from the Proprietary Marks; and
- (iv) the right to distribute products and services in alternative channels of distribution both within and outside the Development Area, (which alternative channels of distribution include but are not limited to: sales of services and products at or through mail order, catalog, telemarketing, direct mail marketing or via the internet, and any similar outlets or distribution methods).

You are not granted any right of first refusal to obtain additional development rights.


ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant to you the right to use certain trademarks, service marks and other commercial symbols in connection with the operation of your franchise (the "Proprietary Marks"). The Multi-Unit Operator Agreement does not grant you the right to use the Proprietary Marks or the System. Our primary service marks are "K9 Resorts Luxury Pet Hotel" and "K9 Resorts Boutique Pet Hotel". Our parent registered or applied for registration of the Proprietary Marks on the Principal Registers of the United States Patent and Trademark Office ("USPTO") as listed below. Our parent intends to file all affidavits when required. You may not sublicense the Proprietary Marks without our permission. If you operate a K9 Resorts Luxury Pet Hotel, we will grant you the right to use the below trademarks:

Mark	Filing Date	Serial Number	Registration Date	Registration Number
	4/8/2019	88/376085	3/03/2020	6004037
Come See, We're Better!	7/1/2008	77/512,568	2/10/2009	3,572,319
5-STAR EXPERIENCE, LOVE AND FUN INCLUDED!	2/14/23 (Intent to Use)	97794411	Pending	Pending

If you operate a K9 Resorts Boutique Pet Hotel, we will grant you the right to use the below trademarks:

Mark	Filing Date	Serial Number	Registration Date	Registration Number
	4/8/2019 (Intent to Use)	88/376075	Pending	Pending
Come See, We're Better!	7/1/2008	77/512,568	2/10/2009	3,572,319
5-STAR EXPERIENCE, LOVE AND FUN INCLUDED!	2/14/23 (Intent to Use)	97794411	Pending	Pending

We do not have a federal registration for one of our principal trademarks. Therefore, our trademark does not have 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.

We also own and claim common law trademark rights in the trade dress used in the Franchised Business. Our common law trademark rights and trade dress are also included as part of the Proprietary Marks.

Under a license agreement with our parent dated March 1, 2016 (the "License Agreement"), K-9 Holdings, LLC has licensed us to use the Proprietary Marks and to sublicense them to our franchisees in operating their locations. K-9 Holdings, LLC may

terminate the License Agreement (which runs for 30 years and is renewable for an additional term of 20 years) if we fail to correct any of the following within 30 days after written notice: (1) any default under the License Agreement; (2) improper use of the Proprietary Marks that could adversely affect their validity or protectability; or (3) our bankruptcy, insolvency, or appointment of a receiver. No other agreement limits our right to use or license the Proprietary Marks.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the Proprietary Marks, nor any pending infringement, opposition, or cancellation proceedings or material litigation involving the Proprietary Marks. There are no agreements currently in effect that significantly limit our right to use or license the use of the Proprietary Marks in any manner material to the franchise. Other than the rights of our parent, we are not aware of any superior rights that could affect your use of the Proprietary Marks.

Your rights to the Proprietary Marks are derived solely from your Franchise Agreement. You may have the right to potentially use future trademarks, service marks and logos that we may subsequently license to you. You will only use the Proprietary Marks as we authorize. In using the Proprietary Marks, you must strictly follow our rules, standards, specifications, requirements and instructions which may be modified by us in our discretion. All goodwill associated with the Proprietary Marks remains our exclusive property. You may not use the Proprietary Marks with any unauthorized product or service or in any way not explicitly authorized by the Franchise Agreement. When your Franchise Agreement expires or terminates, all rights for you to use the Proprietary Marks shall cease and you shall not maintain any rights to use any Proprietary Mark.

You cannot use the Proprietary Marks (or any variation of the Proprietary Marks) as part of a corporate name, domain name, homepage, email address or on any website or with modifying words, designs or symbols, unless authorized by us. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not apply for any trademark or service mark.

In the event of any infringement of, or challenge to, your use of any of the Proprietary Marks, you must immediately notify us, and we will have sole discretion to take such action as deemed appropriate. You must not communicate with any person other than your legal counsel, us and our legal representative in connection with any infringement challenge or claim. We will indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from your authorized use of the Proprietary Marks in accordance with the Franchise Agreement or as otherwise set forth by us in writing, if you have notified us promptly of the claim. We reserve the right, under the Franchise Agreement, to substitute, add or change the Proprietary Marks for use in identifying the System and the businesses operating under the System if the current Proprietary Marks no longer can be used, or if we, in our sole discretion, determine that substitution, addition or change of the Proprietary Marks will be beneficial to the System. If we substitute, add or change any of the Proprietary Marks, you must bear the cost and expense at your business (for example, changing signage, business cards, etc.).

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents which are material to the franchise. We do claim copyright protection for many aspects of the System, including, without limitation, the Operations Manual and other manuals, advertising and promotional materials, training materials and programs, videos, proprietary computer software and applications, architectural plans and designs, web sites and web pages, and all other written material we develop to assist you in development and operation, although these materials have not been registered with the United States Registrar of Copyrights.

There are no currently effective determinations of the United States Copyright Office, the USPTO or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of our copyrighted materials. We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of patented or copyrighted items or to participate in your defense or indemnify you.

The Operations Manual is our sole, exclusive and confidential property which we reveal to you in confidence and may only be used by you as provided in the Franchise Agreement. We may revise the contents of the Operations Manual and you must comply with each new or changed standard, at your own expense. You must make sure that the Operations Manual is kept current at all times. If there is any dispute as to the contents of the Operations Manual, the terms of the master copy maintained by us at our corporate office will be controlling. The Operations Manual will remain our sole property and must be kept in a secure place at the Franchised Business.

Any and all information, knowledge, know-how, techniques and data which we designate as confidential will be deemed confidential for purposes of your Franchise Agreement. Examples of confidential information include, without limitation: (1) site selection, construction plans and design specifications; (2) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques; (3) knowledge of specifications for and suppliers of, and methods of ordering, certain products, materials, equipment and supplies; (4) knowledge of the operating results and financial performance of other K9 Resorts franchises; (5) the Operations Manual; (6) training materials and programs; (7) fee information and customer data; (8) specifics regarding any computer software, applications and similar technology that is proprietary to us or the System; and (9) all password-protected portions of our website, intranets and extranets and the information they contain (including the email addresses and other contact information of our franchisees).

All data that you collect from clients of the Franchised Business or through marketing is deemed to be owned exclusively by us and/or our affiliate. You must install and maintain security measures and devices necessary to protect client data from unauthorized access or disclosure, and you may not sell or disclose to anyone else any personal or aggregated information concerning any clients. You have the right to use the client data only in

connection with the Franchised Business, while the Franchise Agreement is in effect. If you transfer the Franchised Business to a new owner, who will continue to operate the Franchised Business under an agreement with us, you may transfer the client data to the new owner as part of the going concern value of the business.

The Franchise Agreement provides that you acknowledge that your entire knowledge of the operation of the K9 Resorts System, including the specifications, standards and operating procedures of the K9 Resorts System, is derived from information we disclose to you and that all this information is confidential and our trade secrets. You and, if you are a corporation, partnership or limited liability company, your officers, directors, shareholders, partners, members, managers, employees and members of those persons' immediate families and their heirs, successors and assigns are prohibited from using and/or disclosing any confidential information in any manner other than as we permit in writing. You must inform your employees and others having access to confidential information of the obligation to maintain the information in confidence and subject to applicable law. All employees must sign a Confidentiality Agreement in a form satisfactory to us, giving us the right to enforce the agreement as a third party beneficiary. The Confidentiality Agreement attached as Exhibit 5(a) to the Franchise Agreement is currently considered a satisfactory form. Your spouse (or if you are an entity, the spouses of your owners) will also be required to execute our Confidentiality, Non-Disclosure, and Non-Compete Agreement the form of which is also attached as Exhibit 5(b) to the Franchise Agreement. All executed agreements must be forwarded to us to ensure compliance. You are responsible for assuring, before any person leaves your employment, such person returns to you all documents and materials containing our trade secrets and confidential information.

All new products, items, services and other developments, whether they be of our original design or variations of existing services or techniques, or your original design or variations of existing services or techniques, and whether created by or for you or an employee that relate to pet care, will be deemed a work made for hire and we will own all rights in them. If they do not qualify as works made for hire, you will assign ownership to us under the Franchise Agreement. You will not receive any payment, adjustment or other compensation in connection with any new products, items, services or developments.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We strongly recommend that you (or, if you are an entity, your Operating Principal) personally participate in the operation of the Franchised Business. The Operating Principal must be an equity owner of at least 10% of the Franchised Business and have the authority to bind you in all operational decisions regarding the Franchised Business. We will have the right to rely on any statement, agreement or representation made by the Operating Principal. You may not change the Operating Principal without our prior written approval. If you are an entity, you must be a single purpose entity and you cannot operate any other business using your entity name.

If you or your Operating Principal do not participate in the day-to-day operation of the

Franchised Business, you must hire a General Manager to be responsible for the direct on-premises supervision of the Franchised Business at all times during the hours of operation. Your General Manager must be approved by us and must hold all required pet certifications. However, you are still responsible for the operations of the Franchised Business.

You or your Operating Principal (if you are an entity), your General Manager and your Assistant Manager (if you will be personally operating the Franchised Business without a General Manager) must satisfactorily attend and complete our training program.

At all times, you will keep us advised of the identity of your General Manager. We must be advised of any change within seventy-two hours. Your General Manager need not have any equity interest in the franchise. You will disclose to your General Manager only the information needed to operate the Franchised Business and the General Manager will be advised that any confidential information is our trade secret.

If we determine in our sole judgment that the operation of your business is in jeopardy, or if a default occurs, then in order to prevent an interruption in operation of the Franchised Business, we may operate your business for as long as we deem necessary and practical. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your business; or we determine that operational problems require that we operate your Franchised Business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the business as a going concern. We shall keep in a separate account all monies generated by the operation of your Franchised Business, less our management fee, and our operating expenses, including reasonable compensation and expenses for our representatives. Your Franchised Business will still have to pay all costs under the Franchise Agreement, including royalties and Brand Fund payments. You must hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You must pay all of our reasonable attorneys' fees and costs incurred.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer or sell products and services that are approved by us and must offer for sale certain products and services as designated by us. We may add, delete or alter approved products or services that you are required or allowed to offer in our sole discretion. There are no limits on our right to do so. You must discontinue selling and offering any products, services or items that we, in our sole discretion, disapprove in writing at any time. You may not conduct any other business or activity at the Franchised Business without our written permission. You are not permitted to rent out your location or host any events at your location which are not affiliated with K9 Resorts and approved by us.

If we determine, in our sole discretion, that you are not in compliance with our System standards for any reason, we may require you to attend an in-person meeting with us, at

your cost.

It is your responsibility to determine that you are complying with all laws and regulations applicable to the Franchised Business.

On a case-by-case basis, we may allow you or other franchisees to offer additional services, products or programs that are not otherwise part of the franchise System. We will decide which franchisees can offer additional services and products based on test marketing, the franchisees' qualifications and operational history, differences in regional or local markets and other factors. You may not create unapproved rewards or loyalty programs.

REMAINDER LEFT INTENTIONALLY BLANK

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	2.1	10 years
b.	Renewal or extension	2.2	You have the right to renew the franchise for 2 additional 10-year terms, if you meet certain requirements.
c.	Requirements for you to renew or extend	2.2.	You may renew if you: (i) have notified us of your election to renew; (ii) have the right to lease the premises for an additional 10 years (or have secured substitute premises); (iii) have completed all maintenance and refurbishing required by us; (iv) are not in default of any agreement between you and us or our parent, affiliate or predecessor and have substantially complied with all agreements during their term; (v) have satisfied all monetary obligations owed to us and/or our parent, affiliate or predecessor; (vi) have executed our then-current form of Franchise Agreement and any associated renewal addendum; (vii) have satisfied our then-current training requirements for new franchisees; (viii) have paid the renewal fee and (ix) have executed a general release of any and all claims against us and our parent, affiliate or predecessor, and their shareholders, officers, directors, agents, employees, attorneys and accountants arising out of or related to the Franchise Agreement or any related agreement. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.

	Provision	Section in Franchise Agreement	Summary
d.	Termination by Franchisee	9.1	Subject to state law, you must give us 90 days' written notice to cure any default within 60 days of the event or circumstances giving rise to the breach. You must be in material compliance. If we fail to cure any material breach within the 90 day cure period, you may terminate for that reason by written notice, except if the breach is not susceptible to cure within 90 days, but we take action within 90 days to begin curing the breach and act diligently to complete the corrective action within a reasonable time, we will be deemed to have timely cured the breach.
e.	Termination by Franchisor without cause	No Provision	Not applicable
f.	Termination by Franchisor with cause	9.2.1	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, we do not have to provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g.	"Cause" defined - curable defaults	9.2.1	We have the right to terminate the Franchise Agreement, (i) after a 7 day cure period if your failure to comply with the Franchise Agreement relates to the Proprietary Marks; (ii) after a 15-day cure period upon your failure to pay any sums owed to us or our parent, affiliate or predecessor; or (iii) after a 30 day cure period upon your failure to pay any sums owed to a third party other than us or our parent, affiliate or predecessor or upon your failure to comply with any other provision not listed above or listed below as a non-curable default, except if the breach is not susceptible to cure within the applicable cure period, but you take action within the cure period to begin curing the breach and act diligently to complete the corrective action within a reasonable time, you will be deemed to have timely cured the breach.

	Provision	Section in Franchise Agreement	Summary
h.	"Cause" defined - non curable defaults	9.2.2	We have the right to terminate the Franchise Agreement without providing you an opportunity to cure if: (i) you or any owner commits any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the Franchised Business, or goodwill of the Proprietary Marks; (ii) you or any owner is convicted or plea of guilty or nolo contendere of a felony; (iii) you or any owner commits fraud in the operation of your Franchised Business; (iv) you or any owner misrepresents yourselves in any way (including through omission of information) in connection with your franchise application; (v) you or any owner files for bankruptcy or are adjudicated a bankrupt; (vi) insolvency proceedings are commenced against you; (vii) you are the subject of a lien; (viii) you become insolvent; (ix) you or your principals materially breach any other agreements with us or our affiliate, parent, predecessor or any required or approved vendor; (x) we send you 3 or more written notices to cure within one 12-month period; (xi) you or any owner intentionally underreports or misstates any information required to be reported to us; (xii) you voluntarily or otherwise abandon the Franchised Business; (xiii) you fail to open the Franchised Business; (xiv) you lose the right to occupy the Premises of your Approved Location; (xv) you fail to meet certain System standards, creating a threat or danger to health or safety; (xvi) any violation of health or safety laws occur at the Franchised Business; (xvii) you or any owner or spouse fails to comply with any in-term covenants; (xiii) you or any owner or spouse uses the Confidential Information in an un-authorized manner; (xix) you fail to maintain insurance; (xx) you fail to provide us full unfettered access to the Franchised Business premises (xxi) you open the Franchised Business without obtaining authorization to open from us; and (xxii) any unauthorized transfer.
i.	Your obligations on termination/non-renewal	10.1	You must sign a general release, cease operation of the Franchised Business, pay all unpaid fees, discontinue using the Proprietary Marks and the proprietary computer software, return the Operations Manual and all other confidential information to us, transfer your business telephone numbers to us or our designee, surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks and all items which are part of the System trade dress, sell to us any furnishings, equipment, seating, tables, desks, signs or fixtures which we elect to purchase, and, at our option, assign to us, any interest you have in the lease or sublease for the Franchised Businesses' premises or, in the event we do not elect to exercise our option to acquire the lease, modify or alter the Franchised Businesses' premises as may be necessary to distinguish it from a K9 Resorts Luxury Pet Hotel or Boutique Pet Hotel under the System. You must also comply with any post-term covenants under the Franchise Agreement.
j.	Assignment of contract by Franchisor	8.6	We have the unrestricted right to sell, transfer, assign, and/or encumber all or any part of our interest in the Franchise Agreement.

	Provision	Section in Franchise Agreement	Summary
k.	"Transfer" by Franchisee – defined	8.3	A sale, transfer or assignment is deemed to occur if: (i) you are a corporation or limited liability company, upon any assignment, sale, pledge or transfer or increase of your voting stock; any increase in the number of outstanding voting shares which result in a change of ownership; or (ii) if you are a partnership, upon the assignment, sale, pledge or transfer of any partnership ownership interest.
l.	Franchisor's approval of transfer by franchisee	8.1	You may not sell, transfer, assign or encumber your interest in the franchised business without our prior written consent.
m.	Condition for Franchisor's approval of transfer	8.3.2	Approval to sell or transfer your franchise may be conditioned upon the following: (i) satisfaction of all monetary obligations to us, our affiliate or predecessor, or suppliers; (ii) the timely cure of all existing defaults under the Franchise Agreement; (iii) execution of a transfer agreement and general release; (iv) you or the proposed transferee agrees to complete repairs and remodeling as required; and (v) providing us with a copy of the executed purchase agreement relating to the proposed transfer. The proposed transferee must satisfy any licensing requirements, have demonstrated to us that he or she meets our standards, possesses good moral character, business reputation and credit rating, and have the aptitude and adequate financial resources to operate a K9 Resorts franchise. The transferee must have executed our then-current Franchise Agreement, you or the transferee have paid to us a transfer fee, and the transferee and its manager must have completed our initial training program.
n.	Franchisor's right of first refusal to acquire Franchisee's business	8.3.1	If you propose to transfer or assign 20% or more of your interest in the franchised business to a third party, you must first offer us the option to purchase your franchise upon the same terms as those offered by the third party.
o.	Franchisor's option to purchase Franchisee's business	10.1.7	If the Franchise Agreement is terminated, we have the right to purchase the assets of the franchised business. We also have the option to purchase or lease your premises. Our option may be exercised at fair market value, determined by appraisal, if the parties are unable to agree.
p.	Franchisee's death or disability	8.2	Upon your death or disability, your representative must designate an operator who is acceptable to us for your Franchised Business within 60 days and transfer your interest to an approved party within 90 days. This transfer is subject to the same terms and conditions as any other transfer.
q.	Non-competition covenants during the term of the franchise	7.4.1	Neither you nor your partners, shareholders, members or managers, nor any spouses may have any interest in any other business which offers dog daycare or boarding (a "Competing Business").

	Provision	Section in Franchise Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	7.4.2	<p>The Franchise Agreement limits your right and the rights of your partners, shareholders, members, managers and spouses for 2 years following the date of the expiration and non-renewal, transfer or termination of the Franchise Agreement:</p> <p>(i) to own, engage in, be employed or have any interest in any Competing Business within five miles (or the maximum area allowed by law) of your Franchised Business location or other K9 Resort Luxury Pet Hotel or Boutique Pet Hotel;</p> <p>(ii) to solicit business from former clients of your Franchised Business for any competitive business purpose or to solicit employees of us, our affiliates or other System franchisees; or</p> <p>(iii) to own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing with us.</p>
s.	Modification of the agreement	12.1	The Franchise Agreement may only be modified by written amendment signed by both parties. The Operations Manual is subject to change.
t.	Integration/merger clauses	12.1	The Franchise Agreement is the entire agreement between the parties. Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement or in any related agreements is intended to disclaim the representations made in the Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	12.4	The parties must submit disputes to binding arbitration through the American Arbitration Association in the then-current County and State where our corporate headquarters is located, (currently, Union County, New Jersey) (except either party may pursue an action for injunctive relief).
v.	Choice of forum	12.2	Subject to the arbitration requirement and applicable state law, dispute resolution must be in state or federal court that has general jurisdiction in the then-current County and State where our corporate headquarters is located (currently, Union County, New Jersey).
w.	Choice of law	12.2	Except for the Federal Arbitration Act or applicable federal or state law, New Jersey law applies; provided, however, that the New Jersey Franchise Practices Act will only apply if your Franchised Business is to be established in New Jersey and all other statutory requirements are met.

THE MULTI-UNIT OPERATOR RELATIONSHIP

	Provision	Section in Multi-Unit Operator Agreement	Summary
a.	Length of the term	4.1	Until the date we accept and execute a franchise agreement for the last of the Franchised Businesses you are to establish under your Development Schedule or by the end of a set term to complete the Development Schedule.
b.	Renewal or extension	No provision	There is no renewal right.
c.	Requirements for you to renew or extend	No provision	Not Applicable
d.	Termination by Multi-Unit Operator	No provision	Not Applicable, subject to state law
e.	Termination by Franchisor without cause	No provision	Not Applicable
f.	Termination by Franchisor with cause	6.1	We have the right to terminate the Multi-Unit Operator Agreement with cause. Depending upon the reason for termination, we do not have to provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g.	"Cause" defined - curable defaults	6.5	Curable defaults have a 30 day cure period.
h.	"Cause" defined - non curable defaults	6.1; 6.2	We have the right to terminate the Multi-Unit Operator Agreement without providing you an opportunity to cure if: (i) you or any owner commits any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the goodwill of the Proprietary Marks; (ii) you or any owner are convicted or plea of guilty or nolo contendere of a felony; (iii) you or any owner misrepresents yourself in any way (including through omission of information) in connection with your development application; (iv) you or any owner files for bankruptcy or are adjudicated bankrupt; (v) insolvency proceedings are commenced against you or a receiver is appointed; (vi) you are the subject of a lien or execution is levied against assets; (vii) you become insolvent; (viii) you or your principals materially breach any other agreements with us or our parent, affiliate or predecessor; (ix) you or any owner or spouse uses the Confidential Information in an unauthorized manner or breaches any restrictive covenant with us; (x) you fail to adhere to the Development Schedule; and/or (x) you or any owner commits an unauthorized transfer. You can maintain any existing Franchised Businesses that are established by a Franchise Agreement, as long as you comply with the terms of that Franchise Agreement.

	Provision	Section in Multi-Unit Operator Agreement	Summary
i.	Your obligations on termination/non-renewal	6.3	You must stop selecting sites for Franchised Businesses, and you may not open any more Franchised Businesses.
j.	Assignment of contract by franchisor	7.1	We have the unrestricted right to sell, transfer, assign, and/or encumber all or any part of our interest in the Multi-Unit Operator Agreement.
k.	"Transfer" by franchisee – defined	7.2	A sale, transfer or assignment is deemed to occur if: (i) you are a corporation or limited liability company, upon any assignment, sale, pledge or transfer or increase of your voting stock; any increase in the number of outstanding voting shares which result in a change of ownership; or (ii) if you are a partnership, upon the assignment, sale, pledge or transfer of any partnership ownership interest.
l.	Franchisor's approval of transfer by franchisee	7.2	You may not sell, transfer, assign or encumber your interest in the Multi-Unit Operator Agreement without our prior written consent.
m.	Condition for Franchisor's approval of transfer	7.2	Approval to sell or transfer the Multi-Unit Operator Agreement may be conditioned upon the following: (i) satisfaction of all monetary obligations to us, our parent, affiliate or predecessor, or suppliers; (ii) the timely cure of all existing defaults under any agreement between us; (iii) execution of a transfer agreement and general release; (iv) providing us with a copy of the executed purchase agreement relating to the proposed transfer and (v) the transferee must have paid to us the transfer fee. The proposed transferee must sign an assignment and a guarantee and must have demonstrated to us that he or she meets our standards, possesses good moral character, business reputation and credit rating, has the aptitude and adequate financial resources to fulfill the obligations under the Multi-Unit Development Agreement.
n.	Franchisor's right of first refusal to acquire franchisee's business	7.2; 7.3	We have the right to match any offer to purchase your interests under the Multi-Unit Operator Agreement.
o.	Franchisor's option to purchase franchisee's business	No provision	Not applicable.
p.	Multi-unit operator's death or disability	7.4	Upon your death or disability, your representative must designate an operator who is acceptable to us to carry out your duties under the Multi-Unit Operator Agreement within 60 days and transfer your interest to an approved party within 90 days. This transfer is subject to the same terms and conditions as any other transfer.

	Provision	Section in Multi-Unit Operator Agreement	Summary
q.	Non-competition covenants during the term of the Multi-Unit Operator Agreement	8.2	Neither you nor your partners, shareholders, members or managers, nor spouses may have any interest in any other business which offers dog daycare or boarding (a "Competing Business").
r.	Non-competition covenants after the Multi-Unit Operator Agreement is terminated or expires	8.3	<p>The Multi-Unit Operator Agreement limits your right and the rights of your partners, shareholders, members, managers and spouses for 2 years following the date of the expiration and non-renewal, transfer or termination of the Multi-Unit Operator Agreement:</p> <p>(i) to own, engage in, be employed or have any interest in any Competing Business within five miles (or the maximum area allowed by law) of your Development Area or any K9 Resort Luxury Pet Hotel or Boutique Pet Hotel;</p> <p>(ii) to solicit business for any competitive business purpose or to solicit employees of us, our affiliate or predecessor or other System franchisees; or</p> <p>(iii) to own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing with us.</p>
s.	Modification of the agreement	13	The Multi-Unit Operator Agreement may only be modified by written amendment signed by both parties.
t.	Integration/merger clauses	13	The Multi-Unit Operator Agreement is the entire agreement between the parties. Only the terms of the Multi-Unit Operator Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Multi-Unit Operator Agreement may not be enforceable. However, nothing in the Multi-Unit Operator Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	14.5; 14.3	The parties must submit disputes to binding arbitration through the American Arbitration Association in the then-current County and State where our corporate headquarters is located, (currently, Union County, New Jersey) (except either party may pursue an action for injunctive relief).
v.	Choice of forum	14.2	Subject to the arbitration requirement and applicable state law, dispute resolution must be in state or federal court that has general jurisdiction in the then-current County and State where our corporate headquarters is located (currently, Union County, New Jersey).
w.	Choice of law	14.2	Except for the Federal Arbitration Act or applicable federal or state law, New Jersey law applies.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

I. AFFILIATE OWNED LOCATION

We have four (4) affiliate owned locations that were operating as of December 31, 2022. Of these four (4) locations, two (2) utilize the Luxury Pet Hotel model that we are currently offering. None of these locations operate our Boutique Pet Hotel model. The Luxury Pet Hotel model we currently offer is defined by being approximately 6,700 square feet plus in size and having sixty (60) or more total accommodations. The below tables represents results achieved by our two (2) representative affiliate owned locations.

Affiliate 1:

Affiliate 1 has operated a K9 Resorts Luxury Pet Hotel in Fanwood NJ since January 2005. From January, 2005 through June, 2015, our affiliate occupied a 3,800 square foot freestanding facility. On June 22, 2015, our affiliate relocated to a new freestanding facility containing 6,674 square feet on an adjacent property in Fanwood NJ.

	2016	2017	2018	2019	2020	2021	2022
Gross Revenues	\$1,605,022	\$1,773,510	\$2,052,709	\$2,117,665	\$1,215,704	\$2,210,847	\$2,510,309
Payroll (5)(6)	\$537,699	\$644,874	\$697,399	\$732,114	\$596,567	\$805,377	\$1,003,085
Dog Supplies	\$121,047	\$78,378	\$124,126	\$111,898	\$76,839	\$87,509	\$95,363
Credit Card Processing	\$32,453	\$45,093	\$61,897	\$66,872	\$34,364	\$58,721	\$64,276
Royalties (7)	\$96,301	\$106,411	\$123,163	\$127,060	\$72,942	\$132,651	\$150,619
Brand Fund & Marketing (7)	\$48,813	\$48,813	\$37,897	\$47,926	\$38,422	\$75,109	\$113,616
Rent, CAM,	\$95,725	\$97,639	\$114,860	\$117,157	\$128,196	\$133,611	\$136,630

Real Estate Tax (8)							
Facility, Utilities, & Monthly Services	\$62,854	\$52,302	\$54,667	\$59,456	\$60,175	\$83,611	\$76,239
Insurance	\$15,864	\$6,139	\$8,961	\$12,237	\$10,835	\$11,172	\$19,393
General & Admin	\$46,795	\$28,581	\$24,420	\$19,458	\$27,891	\$45,646	\$89,908
Total Expenses	\$1,057,551	\$1,108,230	\$1,247,390	1,294,178	\$1,046,231	\$1,433,407	\$1,739,129
EBITDA	\$547,471	\$665,280	\$805,319	\$823,487	\$169,473	\$777,440	\$771,180

Affiliate 1 - Percentage of Revenues							
	2016	2017	2018	2019	2020	2021	2022
Payroll (5)(6)	33.5%	36.4%	34%	34.6%	49.1%	36.4%	40.0%
Dog Supplies	7.5%	4.4%	6%	5.3%	6.3%	4%	3.8%
Credit Card Processing	2%	2.5%	3%	3.2%	2.8%	2.7%	2.6%
Royalties (7)	6%	6%	6%	6%	6%	6%	6%
Brand Fund & Marketing (7)	3%	2.8%	1.8%	2.3%	3.2%	3.4%	4.5%
Rent, CAM, Real Estate Tax (8)	6%	5.5%	5.6%	5.5%	10.5%	6%	5.4%
Facility, Utilities, & Monthly Services	3.9%	2.9%	2.7%	2.8%	4.9%	3.8%	3.0%
Insurance	1%	0.3%	0.4%	0.6%	.9%	.5%	.8%
General & Admin	2.9%	1.6%	1.2%	0.9%	2.3%	2.1%	3.2%
Total Expenses	65.9%	62.5%	60.8%	61.1%	86.1%	64.8%	69.3%
EBITDA	34.1%	37.5%	39.2%	38.9%	13.9%	35.2%	30.7%

Affiliate 1 - Revenue by Month				
Month	2019	2020	2021	2022
January	\$170,044	\$229,877	\$83,537	\$223,975
February	\$154,453	\$179,032	\$114,327	\$236,643
March	\$174,891	\$95,692	\$191,216	\$288,329
April	\$181,660	\$628	\$221,117	\$219,378
May	\$207,474	\$35,306	\$221,749	\$209,336
June	\$183,168	\$96,225	\$209,971	\$158,560
July	\$198,033	\$111,759	\$190,461	\$191,391
August	\$192,512	\$133,088	\$211,442	\$220,053

September	\$173,690	\$98,054	\$234,228	\$196,104
October	\$183,467	\$95,210	\$196,193	\$172,880
November	\$153,401	\$81,561	\$197,750	\$215,374
December	\$164,965	\$78,141	\$138,885	\$179,734

*This location closed the week of March 30th, 2020 during the beginning of the pandemic and reopened the week of May 4th, 2020

The below tables contains information about Affiliate 1's revenue during the 2019, 2020 2021 and 2022 calendar years.

Annual Revenue (2019)	Mean Revenue Per Customer (2019)
\$2,117,665	\$1,281.48

Annual Revenue (2020)	Mean Revenue Per Customer (2020)
\$1,215,704	\$1,181.40

Annual Revenue (2021)	Mean Revenue Per Customer (2021)
\$2,210,847	\$1,051.74

Annual Revenue (2022)	Mean Revenue Per Customer (2022)
\$2,510,309	\$1,381.73

Affiliate 2:

Affiliate 2 has operated a K9 Resorts Luxury Pet Hotel in Cherry Hill, NJ since December 2021. Affiliate 2 opened in February 2019 and from February 2019 to December 2021, it was operated as a franchised location.

	2020	2021	2022
Gross Revenues	\$670,242	\$1,465,299	\$1,959,644
Payroll (5)(6)	\$370,419	\$540,941	\$789,738
Dog Supplies	\$29,020	\$76,639	\$94,172
Credit Card Processing	\$18,724	\$36,543	\$49,454
Royalties	\$42,266	\$84,462	\$117,680

Brand Fund & Marketing	\$25,429	\$58,978	\$87,009
Rent, CAM, Real Estate Tax	\$116,616	\$121,680	\$185,946
Facility, Utilities, & Monthly Services	\$55,900	\$64,608	\$89,188
Insurance	\$7,789	\$4,759	\$12,736
General & Admin	\$14,656	\$23,829	\$53,567
Total Expenses	\$680,819	\$1,012,439	\$1,479,491
EBITDA	(\$10,577)	\$452,860	\$480,153

Affiliate 2 - Percentage of Revenue				
	2019	2020	2021	2022
Payroll (5)(6)	55.2%	36.9%	40.3%	40.3%
Dog Supplies	4.3%	5.2%	.6%	4.8%
Credit Card Processing	2.7%	2.5%	2.5%	2.5%
Royalties (7)	6%	6%	6%	6%
Brand Fund & Marketing (7)	3.8%	4.0%	4.4%	4.4%
Rent, CAM, Real Estate Tax (8)	24.8%	8.3%	9.5%	9.5%
Facility, Utilities, & Monthly Services	8.3%	4.4%	4.5%	4.6%
Insurance	1.1%	.3%	.6%	.6%
General & Admin	2.1%	1.6%	2.7%	2.7%
Total Expenses	101.5%	69.0%	75.4%	75.5%
EBITDA	-1.5%	30.9%	24.5%	24.5%

Affiliate 2 - Revenue by Month				
Month	2019	2020	2021	2022
January		\$77,101	\$61,103	\$142,278
February	\$15,574	\$90,258	\$62,348	\$166,878
March	\$37,287	\$38,124	\$101,139	\$192,126
April	\$47,864	(\$1,377)	\$128,352	\$174,525
May	\$56,672	\$21,933	\$137,470	\$184,091
June	\$65,443	\$51,788	\$162,219	\$147,032
July	\$90,282	\$71,188	\$163,462	\$151,673
August	\$93,346	\$86,778	\$132,632	\$188,073
September	\$62,088	\$85,728	\$142,947	\$149,946
October	\$76,417	\$53,242	\$128,148	\$151,512
November	\$72,678	\$56,998	\$127,843	\$158,483
December	\$80,981	\$49,998	\$115,565	\$154,728

*This location closed the week of March 23, 2020 and reopened the week of May 4th, 2020.

The below table contains information about affiliate 2 revenue during the 2020, 2021 and 2022 calendar years.

Annual Revenue (2020)	Mean Revenue Per Customer (2020)
\$670,242	\$834.93

Annual Revenue (2021)	Mean Revenue Per Customer (2021)
\$1,465,299	\$866.09

Annual Revenue (2022)	Mean Revenue Per Customer (2022)
\$1,959,644	\$1,164.91

Notes to Tables:

1. These results are unaudited.
2. These results represent services and products that will be available for franchisees to sell.
3. The above results do not include any expenses related to owner compensation.
4. The above results do not include interest costs or debt service amounts.
5. Our affiliate's location has a full-time manager whose expenses are included in the payroll.

6. Minimum wage in the state of New Jersey was \$8.38 in 2016; \$8.44 in 2017; \$8.60 in 2018; \$10.00 in 2019; \$11.00 in 2020, \$12 in 2021 and \$13, in 2022. The minimum wage increase from 2018 to 2019 was 16.28%. The minimum wage increase from 2019 to 2020 was 10%. The minimum wage increase from 2020 to 2021 was 9.09%. The minimum wage increase from 2021 to 2022 was 8.33

7. Our affiliates do not operate under a franchise agreement. Accordingly, they do not pay franchise fees or other fees outlined in Item 6. The Royalty and Brand Fund Fees notes in Item 6 are estimates of what our affiliate would have been required to pay if it operated under a franchise agreement. The System Royalty Fee in effect during the period covered was 6%.

8. Rents were adjusted to current fair market value rent as the location of Affiliate 1 is owned by Steven and Jason Parker and rent charged was not fair market value.

II. FRANCHISED LOCATIONS

We have seventeen (17) franchised locations that were operating as of December 31, 2022. Seven (7) of the seventeen (17) locations that were open as of December 31, 2022 utilize the Luxury Pet Hotel model that we are currently offering and were open for a full twelve (12) months as of December 31, 2022. None of these locations operate our Boutique Pet Hotel model. The Luxury Pet Hotel model is defined by being approximately 6,700 square feet plus in size and having sixty (60) or more total accommodations. The below table represents Gross Revenues achieved in 2022 by these seven (7) representative franchisees. The 2021 figures represent Gross Revenue achieved by five (5) franchisees meeting this criteria, 2020 figures represent Gross Revenue achieved by three (3) franchisees meeting the criteria, and the 2014-2019 figures represent Gross Revenues achieved by two (2) franchisees meeting the criteria.

Calendar Year	Average Gross Revenue	Median Revenue	High	Low
2022	\$1,798,576	\$1,794,239	\$2,540,371	\$935,651
2021	\$1,450,088	\$1,608,915	\$1,836,602	\$728,227
2020	\$741,935	\$772,238	\$800,156	\$653,411
2019	\$1,435,269	\$1,435,269	\$1,467,737	\$1,402,802
2018	\$1,387,076	\$1,387,076	\$1,426,804	\$1,347,347
2017	\$1,204,113	\$1,204,113	\$1,302,552	\$1,105,674
2016	\$1,095,617	\$1,095,617	\$1,251,344	\$939,890
2015	\$916,210	\$916,210	\$1,086,620	\$745,800
2014	\$601,817	\$601,817	\$712,841	\$490,793

The below tables contain certain financial performance achieved during the 2016-2022 calendar years by seven of our franchisees operating a minimum of twelve (12) months and utilizing our Luxury Pet Hotel model:

Location 1							
	2016	2017	2018	2019	2020	2021	2022
Gross Revenues	\$1,251,344	\$1,302,552	\$1,426,804	\$1,467,737	\$800,156	\$1,608,915	\$1,992,644
Payroll (5)(6)	\$358,012	\$386,999	\$447,468	\$495,391	\$457,584	\$495,348	\$706,191
Dog Supplies	\$28,140	\$36,160	\$26,440	\$31,660	\$16,208	\$29,451	\$32,381
Credit Card Processing	\$31,068	\$41,909	\$46,775	\$49,542	\$29,614	\$43,157	\$58,534
Royalties	\$74,097	\$78,212	\$82,342	\$91,335	\$47,471	\$96,480	\$121,172
Brand Fund & Marketing	\$33,330	\$36,363	\$31,945	\$34,413	\$19,774	\$31,603	\$21,339
Rent, CAM, Real Estate Tax	\$150,476	\$153,991	\$156,155	\$159,445	\$130,625	\$149,841	\$153,811
Facility, Utilities, & Monthly Services	\$50,588	\$64,493	\$51,699	\$54,753	\$50,806	\$56,418	\$59,409
Insurance	\$9,455	\$6,140	\$12,998	\$12,977	\$9,017	\$12,736	\$17,754
General & Admin	\$54,478	\$52,165	\$52,029	\$56,294	\$39,912	\$48,678	\$88,728
Total Expenses	\$789,644	\$856,432	\$907,851	\$985,809	\$801,011	\$963,711	\$1,259,319
EBITDA	\$461,700	\$446,120	\$518,953	\$481,928	(\$855)	\$645,205	\$733,149

Location 1 (2019 - 2022 Revenue by Month)				
Month	2019	2020	2021	2022
January	\$110,916	\$131,572	\$65,920	\$146,230
February	\$118,260	\$132,598	\$68,431	\$176,537
March	\$118,389	\$54,486	\$124,807	\$184,235
April	\$139,349	\$10,548	\$121,100	\$205,140
May	\$137,290	\$32,020	\$159,434	\$208,871
June	\$134,895	\$75,953	\$201,366	\$164,028
July	\$146,557	\$78,475	\$166,775	\$156,099
August	\$154,903	\$92,955	\$151,122	\$188,325
September	\$109,208	\$74,101	\$146,089	\$148,703
October	\$111,592	\$68,514	\$152,372	\$150,286
November	\$89,949	\$52,219	\$138,079	\$142,510
December	\$101,849	\$58,928	\$124,450	\$124,349

Location 2							
	2016	2017	2018	2019	2020	2021	2022
Gross Revenues	\$939,890	\$1,105,674	\$1,347,347	\$1,402,802	\$772,238	\$1,460,458	\$1,794,239
Payroll (5)(6)	\$366,145	\$385,737	\$431,241	\$491,732	\$402,187	\$457,666	\$581,506
Dog Supplies	\$45,462	\$49,762	\$53,409	\$57,056	\$35,279	\$57,444	\$69,338
Credit Card Processing	\$25,291	\$32,098	\$39,817	\$45,130	\$24,756	\$35,957	\$47,213
Royalties	\$54,178	\$68,780	\$72,276	\$84,726	\$44,963	\$85,533	\$113,159
Brand Fund & Marketing	\$45,526	\$50,434	\$50,934	\$52,119	\$33,547	\$30,659	\$77,228
Rent, CAM, Real Estate Tax	\$93,314	\$101,008	\$103,449	\$104,674	\$104,072	\$111,003	\$140,244
Facility, Utilities, & Monthly Services	\$63,364	\$47,049	\$46,021	\$41,367	\$36,135	\$50,706	\$58,530
Insurance	\$4,575	\$5,171	\$5,907	\$6,439	\$5,915	\$5,624	\$15,697
General & Admin	\$14,984	\$27,840	\$25,529	\$24,588	\$20,999	\$28,714	\$57,385
Total Expenses	\$712,839	\$767,869	\$828,583	\$907,832	\$707,853	\$863,305	\$1,160,301
EBITDA	\$227,051	\$337,806	\$518,764	\$494,970	\$64,385	\$597,153	\$633,938

Location 2 (2019 - 2022 Revenue by Month)				
Month	2019	2020	2021	2022
January	\$90,561	\$109,729	\$70,653	\$129,543
February	\$97,163	\$131,749	\$74,264	\$151,016
March	\$123,143	\$34,652	\$119,151	\$183,034
April	\$135,033	-	\$116,235	\$176,508
May	\$152,152	\$18,579	\$156,113	\$153,868
June	\$125,806	\$36,414	\$142,682	\$129,987
July	\$127,674	\$74,821	\$146,234	\$129,874
August	\$115,283	\$90,629	\$140,476	\$174,560
September	\$112,852	\$63,587	\$113,483	\$148,703
October	\$111,420	\$66,369	\$112,836	\$150,286
November	\$96,245	\$57,085	\$119,262	\$142,510
December	\$126,523	\$62,613	\$156,356	\$124,349

* Location 2 closed the week of March 30th, 2020 and reopened the week of May 4th, 2020.

Location 3			
	2020	2021	2022
Gross Revenues	\$653,411	\$1,836,602	\$2,312,094
Payroll (5)(6)	\$293,010	\$492,355	\$684,357
Dog Supplies	\$28,343	\$57,875	\$74,907
Credit Card Processing	\$17,524	\$47,803	\$62,721
Royalties	\$50,205	\$110,093	\$147,137
Brand Fund & Marketing	\$36,242	\$56,503	\$45,016
Rent, CAM, Real Estate Tax	\$184,800	\$210,526	\$219,048
Facility, Utilities, & Monthly Services	\$42,687	\$63,629	\$143,634
Insurance	\$10,155	\$17,362	\$16,669
General & Admin	\$13,035	\$26,031	\$48,677
Total Expenses	\$676,001	\$1,082,177	\$1,442,165
EBITDA	(\$22,590)	\$754,425	\$869,929

Location 3 (2019 - 2022 Revenue by Month)				
Month	2019	2020	2021	2022
January		\$60,277	\$79,550	\$193,937
February		\$51,122	\$77,578	\$173,682
March		\$34,950	\$118,481	\$208,451
April		\$11,651	\$145,872	\$197,931
May		\$27,564	\$139,110	\$216,777
June		\$52,403	\$185,124	\$205,928
July		\$53,985	\$199,178	\$188,675
August		\$64,143	\$181,936	\$223,083
September		\$68,493	\$183,867	\$196,671
October	\$8,594	\$75,167	\$195,233	\$193,778
November	\$41,747	\$88,250	\$180,701	\$162,632
December	\$61,774	\$68,199	\$149,769	\$150,549

*Location 3 opened in October 2019

Location 4		
	2021	2022
Gross Revenues	\$1,616,238	\$2,540,371
Payroll (5)(6)	\$594,463	\$865,263
Dog Supplies	\$77,284	\$82,889
Credit Card Processing	\$39,235	\$59,862
Royalties	\$97,048	\$145,445
Brand Fund & Marketing	\$98,460	\$106,056
Rent, CAM, Real Estate Tax	\$86,542	\$102,633
Facility, Utilities, & Monthly Services	\$69,402	\$43,458
Insurance	\$11,816	\$8,985
General & Admin	\$23,462	\$42,572
Total Expenses	\$1,097,712	\$1,457,163
EBITDA	\$518,526	\$1,083,208

Location 4 (2019 - 2022 Revenue by Month)				
Month	2019	2020	2021	2022
January		\$41,323	\$65,746	\$140,808
February		\$39,672	\$83,776	\$143,532
March		\$36,490	\$98,827	\$204,745
April	\$7,000	\$13,375	\$126,675	\$208,851
May	\$22,973	\$30,087	\$121,320	\$220,989
June	\$27,349	\$64,255	\$136,515	\$215,067
July	\$42,210	\$67,552	\$186,949	\$239,511
August	\$40,380	\$65,941	\$170,322	\$231,486
September	\$40,192	\$60,632	\$155,059	\$216,408
October	\$38,390	\$75,477	\$155,675	\$228,012
November	\$45,220	\$75,606	\$172,235	\$261,913
December	\$48,266	\$64,307	\$144,911	\$229,049

*Location 4 opened in April 2019

** Location 4 opened with 53 accommodation and performed an expansion in 2020 adding 28 additional accommodations. 2021 is the first full year operating under the Luxury Pet Hotel model for a minimum of twelve (12) months.

Location 5		
	2021	2022
Gross Revenues	\$728,227	\$1,276,461
Payroll (5)(6)	\$372,334	\$515,557
Dog Supplies	\$48,296	\$41,391
Credit Card Processing	\$15,720	\$32,899
Royalties	\$39,767	\$78,437
Brand Fund & Marketing	\$92,400	\$70,437
Rent, CAM, Real Estate Tax	\$140,474	\$192,713
Facility, Utilities, & Monthly Services	\$42,476	\$59,964
Insurance	\$22,355	\$13,776
General & Admin	\$26,005	\$19,858
Total Expenses	\$799,827	\$1,025,032
EBITDA	\$(71,600)	\$251,429

Location 5 (2020 - 2022 Revenue by Month)				
Month	2019	2020	2021	2022
January			\$10,713	\$63,858
February			\$16,381	\$73,871
March			\$38,109	\$91,465
April			\$25,451	\$82,850
May			\$61,477	\$107,741
June			\$86,005	\$136,340
July			\$91,073	\$145,993
August			\$71,286	\$129,196
September			\$69,577	\$109,568
October			\$80,713	\$118,110
November			\$99,463	\$130,694
December		\$12,537	\$80,622	\$86,776

*Location 5 opened in November 2020

Location 6	
	2022
Gross Revenues	\$1,738,747
Payroll (5)(6)	\$850,591
Dog Supplies	\$63,255
Credit Card Processing	\$42,689
Royalties	\$103,590
Brand Fund & Marketing	\$47,869
Rent, CAM, Real Estate Tax	\$292,911
Facility, Utilities, & Monthly Services	\$61,282
Insurance	\$10,443
General & Admin	\$35,119
Total Expenses	\$1,507,748
EBITDA	\$230,998

Location 6 (2021 - 2022 Revenue by Month)		
	2021	2022
January		\$85,171
February		\$108,303
March		\$137,308
April		\$119,249
May		\$149,669
June		\$178,738
July		\$171,475
August	\$68,669	\$178,056
September	\$53,628	\$183,464
October	\$95,058	\$153,796
November	\$85,763	\$175,948
December	\$79,654	\$97,569

* Location 6 opened August 2021

Location 7	
	2022
Gross Revenues	\$935,651
Payroll (5)(6)	\$397,465
Dog Supplies	\$42,401
Credit Card Processing	\$32,883
Royalties	\$51,908
Brand Fund & Marketing	\$68,421
Rent, CAM, Real Estate Tax	\$117,779
Facility, Utilities, & Monthly Services	\$41,644
Insurance	\$11,746
General & Admin	\$34,100
Total Expenses	\$798,346
EBITDA	\$137,306

Location 7 (2021 - 2022 Revenue by Month)		
	2021	2022
January		\$44,002
February		\$43,301
March		\$69,616
April		\$67,542
May		\$78,452
June		\$89,987
July		\$94,869
August		\$97,885
September	\$12,127	\$89,825
October	\$31,890	\$106,452
November	\$55,688	\$86,375
December	\$42,353	\$67,344

* Location 7 opened September 2021

The below tables contains the average EBIDTA achieved during the 2019-2022 calendar years by our franchisees operating a minimum of twelve (12) months and utilizing our Luxury Pet Hotel model. Location 4 was not open during the entire 2019 calendar year. Location 4 added additional accommodation to their facility in 2020 therefore met the Luxury Pet Hotel model accommodations requirement for 2021. Location 5 was not open during the entire 2020 calendar year. Therefore the below table for the 2019 calendar year contains only the results achieved by Location 1 and Location 2, and the 2020 calendar year contains only the results achieved for Location 1, Location 2, and Location 3.

Average EBITDA (2019-2022)			
2019	2020	2021	2022
\$488,419	\$7,591	\$482,762	\$552,627

Notes to Franchised Locations Tables:

1. These results are unaudited.
2. These results represent services and products that will be available for franchisees to sell.
3. The above results do not include any expenses related to owner compensation.
4. The above results do not include interest costs or debt service amounts.
5. Income Statements shown are for full calendar years of operations.

General Notes:

“Gross Revenue” includes all income of any type or nature and from any source including, but not limited to, cash, services, in kind from barter and/or exchange, gift cards (when purchased not when redeemed) on credit or otherwise, as well as business interruption insurance proceeds, all without deduction for expenses, including marketing expenses and taxes. Gross Revenue does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities, or customer refunds or adjustments. Gross Revenue is calculated on a cash basis when a sale is made, not on an accrual basis.

“Rent, CAM, Real Estate Taxes” includes base rent, common area maintenance (CAM) charge, real estate taxes, and related property insurance.

“Facility, Utilities, & Monthly Services” represents expenses associated with normal repair and maintenance, telephone, IT, cable and internet, scent system, utilities (gas, electric and water), sprinklers, waste removal, equipment rental, fire and security monitoring. It does not include capital expenditures.

“EBITDA” (Earnings Before Interest, Taxes, Depreciation and Amortization) does not

include a provision for income tax or non-cash expenses (depreciation and amortization). It also does not include a reserve for capital expenditures.

“General & Admin Expenses” includes the following: dues and subscriptions, computer and internet, annual licenses and permits, telephone, operating supplies, office supplies, postage and delivery, and professional fees and other miscellaneous expenses.

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

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, K-9 Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jason D. Parker, Franchise Department at 43 South Avenue, Fanwood, New Jersey 07023, (908) 889-PETS, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2020 to 2022**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2020	9	9	0
	2021	9	11	+2
	2022	11	17	+6
Company Owned	2020	2	3	+1
	2021	3	4	+1
	2022	4	5	+1
Total Outlets	2020	11	12	+1
	2021	12	15	+3
	2022	15	22	+7

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR TO AFFILIATE)
FOR YEARS 2020 TO 2022

STATE	YEAR	NUMBER OF TRANSFERS
NEW JERSEY	2020	1
	2021	0
	2022	1
PENNSYLVANIA	2020	0
	2021	1
	2022	0
TOTAL	2020	1
	2021	1
	2022	1

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at end of Year
ARIZONA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
COLORADO	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FLORIDA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	1	0	0
IOWA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
KANSAS	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
NEW JERSEY	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	1	0	4
	2022	4	2	0	0	0	0	6
NEW MEXICO	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NEW YORK	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
NORTH CAROLINA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PENNSYLVANIA	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SOUTH CAROLINA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
TEXAS	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TOTAL	2020	9	1	0	0	0	1	9
	2021	9	3	0	0	1	0	11
	2022	11	7	0	0	1	0	17

If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

**TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2020 TO 2022**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEES	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEES	OUTLETS AT END OF YEAR
FLORIDA	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
NEW JERSEY	2020	2	0	0	0	0	2
	2021	2	0	1	0	0	3
	2022	3	0	0	0	0	0
PENNSYLVANIA	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	0
TOTAL	2020	2	1	0	0	0	3
	2021	3	0	1	0	0	4
	2022	4	0	1	0	0	5

*The outlets shown in the table above are owned and operated by our affiliates. We do not currently own or operate a K9 Resorts business.

**TABLE NO. 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2022**

STATE	FRANCHISE AGREEMENTS SIGNED BUT FACILITIES NOT OPENED	PROJECTED FRANCHISED NEW FACILITIES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY-OWNED FACILITIES OPENINGS IN NEXT FISCAL YEAR
ARIZONA	2	0	0
ARKANSAS	1	1	0
FLORIDA	5	2	0
GEORGIA	1	0	0
ILLINOIS	1	1	0
KANSAS	1	1	0
MARYLAND	1	1	0
NEW JERSEY	6	2	0
NEW YORK	4	1	0
NORTH CAROLINA	3	1	0
OHIO	1	1	0
OKLAHOMA	1	1	0
PENNSYLVANIA	5	2	0
SOUTH CAROLINA	2	1	0
TENNESSEE	1	1	0
TEXAS	5	2	0
VIRGINIA	1	1	0
WISCONSIN	1	1	0
Total	42	20	0

Attached as Exhibit D to this Disclosure Document is a list of all franchisees, including their address and telephone number (or their contact information if their Franchised

Business is not yet open) as of the issuance date of this Disclosure Document.

Attached as Exhibit E to this Disclosure Document is the name, city, state and current business telephone number (or if unknown, the last known telephone number) of every franchisee who had a Franchised Business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

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

Six prospects signed our Multi-Unit Development Agreement during our last fiscal year.

During the last three fiscal years, we have signed one agreement with a confidentiality clause with current or former franchisees that would restrict them from speaking openly with you about their experience with us.

You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We have created a franchise advisory committee. The Chairperson is Michael Dore (michaeldore@k9resorts.com) and the Vice Chairperson is Kevin Tennant (kevin@k9resorts.com).

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit F are our audited financial statements for our 2020, 2021 and 2022 fiscal years.

Our fiscal year end is December 31st.

ITEM 22

CONTRACTS

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

Franchise Agreement – Exhibit B

EXHIBIT 1 - APPROVED LOCATION
EXHIBIT 2 - STATEMENT OF OWNERSHIP
EXHIBIT 3 - PERSONAL GUARANTEE
EXHIBIT 4 - COLLATERAL ASSIGNMENT OF LEASE
EXHIBIT 5 - CONFIDENTIALITY AGREEMENT
EXHIBIT 6 - FORM OF RELEASE
EXHIBIT 7 - PROSPECTIVE FRANCHISEE STATEMENT
EXHIBIT 8 - CONSENT TO TRANSFER

EXHIBIT 9 - ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT 10-TELEPHONE, INTERNET WEBSITES AND LISTING AGREEMENT
EXHIBIT 11-ELECTRONIC TRANSFER AUTHORIZATION

Multi-Unit Operator Agreement – Exhibit C

EXHIBIT 1 - DEVELOPMENT AREA
EXHIBIT 2 - STATEMENT OF OWNERSHIP
EXHIBIT 3 – DEVELOPMENT SCHEDULE/ DEVELOPMENT FEE
EXHIBIT 4 - PERSONAL GUARANTEE
EXHIBIT 5 – CONFIDENTIALITY AGREEMENT
EXHIBIT 6 - ASSIGNMENT AND ASSUMPTION AGREEMENT

State Addenda- Exhibit H

ITEM 23

RECEIPT

Attached as the last page of this disclosure document is a receipt. Please sign the receipt and return it to us. A duplicate of the receipt is also attached for your records.

Exhibit A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

K-9 Franchising, LLC

**STATE ADMINISTRATORS/
DESIGNATION OF AGENT FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. Where we are registered to sell franchises, we have appointed the state agency, or as noted below, a state officer, as our agent for service of process in the state. We may not yet be registered to sell franchises in any or all of the states listed. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

<p><u>CALIFORNIA</u> Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (866) 275-2677 Agent: California Commissioner of Financial Protection and Innovation</p>	<p><u>NORTH DAKOTA</u> North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712 Agent: North Dakota Securities Commissioner</p>
<p><u>HAWAII</u> Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 Agent: Commissioner of Securities of the State of Hawaii</p>	<p><u>OREGON</u> Department of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance</p>
<p><u>ILLINOIS</u> Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General</p>	<p><u>RHODE ISLAND</u> Department of Business Regulation Division of Securities 1511 Pontiac Ave. John O. Pastore Complex Building 69-1 Cranston, RI 02920 (401) 462-9500 Agent: Director of Business Regulation</p>
<p><u>INDIANA</u> Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681 Agent: Indiana Secretary of State Indiana Securities Division 201 State House Indianapolis, IN 46204</p>	<p><u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563 Agent: Director, Division of Insurance-Securities Regulation</p>

<p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 Agent: Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p>	<p><u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 Agent: Clerk of the State Corporation Commission 1300 E Main St., 1st Fl. Richmond, VA 23219 Tel: (804) 371-9733</p>
<p><u>MICHIGAN</u> Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177 Agent: Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way Lansing, MI 48910</p>	<p><u>WASHINGTON</u> Director Washington Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760 Agent: Securities Administrator, Director of Department</p>
<p><u>MINNESOTA</u> Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1500 Agent: Minnesota Commissioner of Commerce</p>	<p><u>WISCONSIN</u> Securities Division of the Wisconsin Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-8559 Agent: Wisconsin Commissioner of Securities</p>
<p><u>NEW YORK</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 - Phone Agent for service: New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492</p>	

Exhibit B

FRANCHISE AGREEMENT

K-9 Franchising, LLC

**K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**



K9 RESORTS
LUXURY PET HOTEL



K9 RESORTS
BOUTIQUE PET HOTEL

Luxury Pet Hotel _____

Boutique Pet Hotel _____

TABLE OF CONTENTS

BACKGROUND	1
1. GRANT OF FRANCHISE	1
1.1 Grant and Acceptance	1
1.2 Territory	2
1.3 Other Channels of Distribution	2
2. TERM AND RENEWAL	2
2.1 Term	2
2.2 Renewal	2
3. LOCATION	3
3.1 Approved Location	3
3.2 Site Search; Purchase or Lease of Premises	3
3.3 Lease or Purchase	4
3.4 Relocation	5
4. FEES AND COSTS	5
4.1 Initial Franchise Fee	5
4.2 Royalty Fee	5
4.3 Advertising	6
4.4 Technology Fee	9
4.5 Management Fee	10
4.6 Collection Costs, Attorneys' Fees, Interest	10
4.7 Audit	10
4.8 Financial Records and Reports	10
4.9 Taxes on Payments to Franchisor	11
4.10 No Right of Set Off	11
4.11 Real Estate & Facilities Coordination Fee	11
4.12 Marketing Service Package Fee	11
4.13 Customer Complaint Reimbursement	11
5. FRANCHISOR SERVICES	11
5.1 Site Selection	11
5.2 Layout	12
5.3 Training	13
5.4 Continuing Consultation and Advice	13
5.5 Confidential Operations Manual	14
5.6 Annual Franchise Meeting	14
6. FRANCHISE SYSTEM STANDARDS	14
6.1 Opening for Business	14
6.2 Compliance with Standards	15
6.3 Operations	15
6.4 Applicable Laws	17
6.5 Trade Secrets and Confidential Information	17
6.6 Proprietary Marks	18
6.7 Inspection	19
6.8 Changes to the System	20
6.9 Authorized Products, Services, Supplies, and Equipment	20
6.10 Pending Actions	21
6.11 Media	21
6.12 Customer Service	21
7. ACKNOWLEDGMENTS OF FRANCHISEE	21
7.1 Independent Contractor Status	21
7.2 Indemnification	21
7.3 Payment of Debts	22
7.4 Noncompetition	22
7.5 Telephone	23
7.6 Insurance	23
7.7 Publicity	24

7.8 Distribution.....	24
7.9 Image.....	24
8. SALE OR TRANSFER.....	24
8.1 Consent to Transfer.....	24
8.2 Death or Disability	24
8.3 Ownership Changes	25
8.4 Transfer to a Corporation or Limited Liability Company.....	26
8.5 Secured Interests and Securities	27
8.6 Transfer by Franchisor.....	27
9. BREACH AND TERMINATION.....	27
9.1 Termination by Franchisee.....	27
9.2 Termination by Franchisor	28
9.3 Nonwaiver.....	30
10. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION	30
10.1 Franchisee's Obligations	30
10.2 Power of Attorney.....	31
11. NOTICES	31
12. INTERPRETATION.....	31
12.1 Amendments	31
12.2 Choice of Law and Selection of Venue.....	31
12.3 Injunctive Relief	31
12.4 Arbitration	32
12.5 Construction of Language.....	32
12.6 Successors.....	32
12.7 Severability.....	32
12.8 No Right to Offset.....	32
12.9 Force Majeure	32
12.10 Rights Cumulative	33
12.11 PARTIES	33
12.12 LIMITATION OF LIABILITY	33
12.13 JURY TRIAL WAIVER	33
12.14 FRANCHISOR APPROVAL AND DISCRETION.....	33
12.15 Execution.....	33
13. REPRESENTATIONS.....	34
13.1 RECEIPT	34
13.2 EXECUTION OF AGREEMENT.....	34
13.3 ANTI-TERRORISM LAW COMPLIANCE	34
14. PERSONAL GUARANTEES.....	34
15. OWNERSHIP OF FRANCHISEE	34

- EXHIBIT 1 – SEARCH AREA, APPROVED LOCATION AND PROTECTED AREA
- EXHIBIT 2 – STATEMENT OF OWNERSHIP INTEREST
- EXHIBIT 3 – PERSONAL GUARANTY
- EXHIBIT 4 – COLLATERAL ASSIGNMENT OF LEASE
- EXHIBIT 5 – CONFIDENTIALITY AGREEMENT
- EXHIBIT 6 – FORM OF RELEASE
- EXHIBIT 7 – DISCLOSURE QUESTIONNAIRE
- EXHIBIT 8 – CONSENT TO TRANSFER
- EXHIBIT 9 – ASSIGNMENT AND ASSUMPTION AGREEMENT
- EXHIBIT 10 – TELEPHONE, INTERNET WEBSITES AND LISTING AGREEMENT
- EXHIBIT 11 – ELECTRONIC TRANSFER AUTHORIZATION

K-9 FRANCHISING, LLC

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into and made by and between K-9 Franchising, LLC, a New Jersey limited liability company, with its principal business address at 43 South Avenue, Fanwood, New Jersey 07023 ("Franchisor") and _____ with a principal address at _____ ("Franchisee") on the date this Agreement is executed by Franchisor below (the "Effective Date").

BACKGROUND

A. Franchisor and/or its equity owners, parent, predecessor or affiliate, through the expenditure of considerable money, time and effort, have developed a system (the "K9 Resorts System" or "System") for the establishment, development and operation of K9 Resorts Luxury Pet Hotels and Boutique Pet Hotels (each a "K9 Resorts business"). The System includes our proprietary marks, recognized designs, decor and color schemes, trade dress, distinctive specifications for fixtures, IT platforms, equipment, and designs; know-how, and trade secrets; procurement of clients, sales techniques, and merchandising, marketing, advertising, record keeping and business management systems; quality control procedures; and procedures for operation and management of a K9 Resorts business pursuant to the Confidential Operations Manual provided by Franchisor and modified from time to time and other standards and specifications Franchisor otherwise provides.

B. The K9 Resorts System is identified by various trade names, trademarks and service marks used by Franchisor and its franchisees including, without limitation, the trademarks/logos "K9 Resorts Luxury Pet Hotel®" and "K9 Resorts Boutique Pet Hotel" and other identifying marks and symbols that Franchisor uses now or may later use as part of the K9 Resorts System (the "Proprietary Marks"). The rights to all the Proprietary Marks shall be owned exclusively by Franchisor, its equity owners, parent, predecessor or its affiliate. Franchisor intends to further develop and use the Proprietary Marks to identify to the public Franchisor's standards of quality and the services marketed under the Proprietary Marks.

C. Franchisor is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate a K9 Resorts business.

D. Franchisee has applied to Franchisor for a franchise to operate a K9 Resorts business using the System and Proprietary Marks and to receive the training, confidential information and other assistance Franchisor provides. Franchisor has approved Franchisee's application in reliance upon all of the representations made in the application.

E. By executing this Agreement, Franchisee acknowledges the importance of Franchisor's quality and service standards and agrees to operate Franchisee's business in accordance with those standards and as described in the System. Franchisee also acknowledges that adhering to the terms of this Agreement and implementing the System as Franchisor directs are essential to the operation of Franchisee's business, to the System and to all Franchisor's franchisees.

In consideration of the mutual promises and commitments contained in this Agreement, together with other valuable consideration, the receipt and sufficiency of which is acknowledged, Franchisor and Franchisee agree as follows:

1. GRANT OF FRANCHISE

1.1. Grant and Acceptance. Franchisor grants to Franchisee, and Franchisee accepts, all subject to the terms of this Agreement, a franchise to establish and operate one K9 Resorts business using the K9 Resorts System and the Proprietary Marks pursuant to this Agreement (the "Franchised Business"). The Proprietary Marks Franchisee will be permitted to use may differ depending on whether Franchisee is opening a Luxury Pet Hotel or a Boutique Pet Hotel. Franchisee shall use the Proprietary Marks, participate in the promotional, advertising and educational programs that are made available to Franchisee, and have access to certain proprietary trade secrets, marketing expertise and business expertise of Franchisor, as

they may be modified from time to time, in connection with the Franchised Business.

1.2. **Territory.** Franchisee shall establish and operate the Franchised Business within the protected area identified in Exhibit 1 to this Agreement (the "Protected Area"). Provided Franchisee complies with the terms of this Agreement, Franchisor shall not own, operate, franchise or license any other K9 Resorts businesses within the Protected Area, except Franchisor reserves the right to do so in other channels of distribution as described in Section 1.3. Although no other K9 Resorts businesses will be physically located within Franchisee's Protected Area, Franchisee's Protected Area may overlap with those of other franchisees or affiliate-owned locations. Franchisor and/or Franchisor's affiliates, retain all other rights, including without limitation, the unrestricted rights (i) in connection with a merger or acquisition, to own, operate, franchise or license, both within and outside the Protected Area, businesses operating under names other than the Proprietary Marks regardless of whether or not these other concepts offer products and services which are similar to or compete with those offered by the Franchised Business and regardless of location, and the right to convert those locations to K9 Resorts businesses, (ii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business with locations anywhere which may result in the required conversion of franchised businesses; (iii) to distribute products and services as described in Section 1.3, both within and outside the Protected Area; (iv) to use, and to license others to use, the System for the operation and licensing of other K9 Resorts businesses at any locations outside of the Protected Area; and (v) to establish and operate, and allow others to establish and operate, businesses operating under different trade names, trademarks or service marks that may offer products and services which are identical or similar to products and services offered by K9 Resorts businesses, inside or outside the Protected Area.

1.3. **Other Channels of Distribution.** Subject to the restrictions in Section 1.2, Franchisor and Franchisor's, parent, predecessor and affiliate, reserve the unrestricted right to offer products and services (which may include, but are not limited to, grooming products, pet supplies, books, food, and videos), whether now existing or developed in the future, identified by the Proprietary Marks or other marks Franchisor and/or Franchisor's parent, predecessor and/or affiliate, own or license, through any distribution method they may establish, and may franchise or license others to do so, both within and outside the Protected Area, regardless of whether the offering of products or services in the other channels of distribution compete with the Franchised Business. These other channels of distribution may include locations and venues other than a K9 Resorts business, including but not limited to, retail establishments, mail order, catalogs, the Internet, and any similar outlets or distribution methods as Franchisor and/or its parent, predecessor and/or affiliate, determine, in their sole discretion. This Agreement does not grant Franchisee any rights to distribute products through other channels of distribution as described in this Section 1.3, and Franchisee has no right to share, nor does Franchisee expect to share, in any of the proceeds Franchisor and/or Franchisor's parent, predecessor, affiliate, or other franchisees or licensees or any other party receives in connection with the alternate channels of distribution.

2. **TERM AND RENEWAL**

2.1. **Term.** This Agreement grants rights to Franchisee for a period of 10 years and is effective when signed by Franchisor.

2.2. **Renewal.** Franchisee shall have the right to renew this Agreement for two periods of 10 years if the following conditions have been met:

2.2.1. Franchisee has given Franchisor written notice of its election to renew the franchise not less than 6 months nor more than 13 months prior to the expiration of the current term;

2.2.2. Franchisee owns or has the right under a lease to occupy the premises of the Franchised Business for an additional 10 years and has presented evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Franchised Business for the duration of the renewal term; or, in the event Franchisee is unable to maintain possession of the premises of the Franchised Business, Franchisee has secured substitute premises approved by Franchisor by the expiration date of this Agreement;

2.2.3. Franchisee has completed, no later than 30 days prior to the expiration of the then-current term and to Franchisor's satisfaction, all maintenance, refurbishing, renovating and remodeling of the premises of the Franchised Business and all of the equipment, fixtures, furnishings, interior and exterior signs as Franchisor shall require so that the premises reflect the then-current image of a K9 Resorts business.

2.2.4. Franchisee is not in default of any provision of this Agreement or any other related agreement between Franchisee and Franchisor or its parent, predecessor and/or affiliate, either at the time Franchisee gives notice of its intent to renew or at any time after through the last day of the then current term, and Franchisee has substantially complied with all of these agreements during their respective terms;

2.2.5. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and/or its parent, predecessor and affiliate or otherwise pursuant to the Franchise Agreement;

2.2.6. Franchisee has executed, at the time of such renewal, Franchisor's then-current form of franchise agreement and renewal addendum, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, higher royalty and advertising fees. The renewal franchise agreement, when executed, shall supersede this Agreement in all respects;

2.2.7. Franchisee, at its expense, has satisfied Franchisor's then-current training requirements for new franchisees as of the date of the renewal;

2.2.8. Franchisee has paid a renewal fee to Franchisor equal to \$7,500; and

2.2.9. Franchisee has executed a release of any and all claims against Franchisor and its parent, predecessor and affiliate, and their shareholders, members, officers, directors, agents, employees, attorneys and accountants arising out of or related to this Agreement or any related agreement. The release shall contain language and be of the form chosen by Franchisor, except the release shall not release any liability specifically provided for by any applicable state statute regulating franchising. Franchisor's current form of release is attached to the Franchise Agreement as Exhibit 6.

2.2.10. As part of the process of renewing this Agreement, Franchisor reserves the right to re-evaluate the then-existing Protected Area according to certain demographics and Franchisor's then-current standards. A re-evaluation of the Protected Area may result in the renewal Protected Area being smaller or larger than the original Protected Area.

3. LOCATION

3.1. **Approved Location.** Franchisee is granted a non-exclusive franchise, which permits the operation of a single K9 Resorts business within the Protected Area at the location identified in Exhibit 1 to this Agreement or a location subsequently agreed upon in writing by Franchisor and Franchisee (the "Approved Location"). If the Approved Location is not identified in Exhibit 1 when the parties execute this Agreement, Franchisee shall find a location and submit it to Franchisor for approval as required in Section 3.2. Franchisee shall not operate another business at the Approved Location. Franchisee is unrestricted as to the geographic area from which it may obtain business as a System franchisee; however, Franchisee may not make any sales from a location, other than the Approved Location, without the Franchisor's prior written permission. Franchisee shall not conduct any mail order, catalog or Internet business without the express approval of the Franchisor.

3.2. **Site Search; Purchase or Lease of Premises.** If the Approved Location is not identified on Exhibit 1 when this Agreement is executed, then Franchisee is responsible for locating a site within the geographic site selection area described on Exhibit 1 (the "Search Area"). The Search Area is delineated for the sole purpose of site selection and does not provide any territorial exclusivity or protection. Franchisee must find a location in the Search Area and submit it to Franchisor for approval as required in this

Agreement. Franchisee shall use its best efforts to find a suitable location subject to Franchisor's procedures and guidelines. Franchisor must grant written authorization before Franchisee may proceed with any proposed location. Franchisee acknowledges that Franchisor's approval of the Approved Location does not constitute a recommendation, endorsement, guarantee or warranty of any kind, express or implied, by the Franchisor of the suitability or profitability of the location. If Franchisor recommends or provides Franchisee with any information regarding a site for the Franchised Business, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a K9 Resorts business or any other purpose. Franchisor's recommendation or approval of any site only indicates that Franchisor believes that the site meets Franchisor's then acceptable criteria that have been established for Franchisor's own purposes and is not intended to be relied upon by Franchisee as an indicator of likely success. Criteria that have appeared effective with other sites and other locations might not accurately reflect the potential for all sites and locations. Franchisor is not responsible if a site and location fails to meet Franchisee's expectations. Franchisee acknowledges and agrees that its acceptance of the selection of the Approved Location is based on Franchisee's own independent investigation of the site's suitability for the Franchised Business.

If the Approved Location is not designated in Exhibit 1 at the time of execution of this Agreement, Franchisee must complete all steps to acquire a suitable location within 15 months after the date of execution of this Agreement. Within the 15 month period, Franchisee must: (i) find a suitable site, meeting Franchisor's specifications; (ii) submit a request for approval of the proposed site; (iii) deliver all information and copies of proposed agreements; (iv) receive Franchisor's written approval; and (v) upon Franchisor's approval, either enter into a lease or sublease for the site, meeting Franchisor's requirements, including the requirements listed in Section 3.3, or enter into an agreement to purchase the site. The parties may extend the 15 month period for an additional 120 days provided Franchisee diligently complied with the other obligations of this Section 3.2. If Franchisee or its equity owner or affiliate purchases or owns the Approved Location, Franchisee (or its equity owner or affiliate) shall grant Franchisor an option to purchase or lease the site upon termination or expiration of this Agreement at the fair market value or fair market rent.

Franchisee shall provide Franchisor with any information Franchisor requests and a copy of the proposed lease or purchase agreement in connection with Franchisor's review. In order for Franchisor to approve any designation of the Approved Location in Exhibit 1 at the time of execution of this Agreement, Franchisee must have supplied Franchisor with all required information and copies of proposed agreements prior to the execution of this Agreement. Franchisee shall not sign any lease or purchase agreement for the Approved Location until this Agreement is fully executed by both parties and Franchisor has granted approval of the agreement in writing.

3.3. Lease or Purchase.

3.3.1. Any lease for the proposed location must contain certain provisions, including (i) a limitation that the premises shall be used only for a K9 Resorts business; (ii) a prohibition against assignment or subletting by Franchisee without Franchisor's prior written approval; (iii) permission for Franchisor to enter the premises and make changes to protect the Proprietary Marks; (iv) concurrent written notice to Franchisor of any default and the right (but not the obligation) for Franchisor to cure such default; (v) the right, at Franchisor's election, to receive an assignment of the lease upon the termination or expiration of the Franchise Agreement; and (vi) a prohibition against the lease being modified without Franchisor's prior written consent. In addition, prior to execution of the lease, Franchisor and Franchisee shall execute the Collateral Assignment of Lease which grants Franchisor the right but not the obligation to assume the lease upon Franchisee's default under the lease or this Agreement. Upon execution of the lease, Franchisor and lessor shall execute the Consent and Agreement of Lessor. The Collateral Assignment of Lease and Consent and Agreement of Lessor shall be in the forms attached as Exhibit 4 to this Agreement. Franchisee shall deliver an executed copy of the lease to Franchisor within 15 days after the execution of the lease.

3.3.2 Franchisor's review of the lease or purchase agreement for the Approved Location does not constitute Franchisor's representation or guarantee that Franchisee shall succeed at the

selected location, nor an expression of Franchisor's opinion regarding the terms of the lease, purchase agreement or the viability of the location. Acceptance by the Franchisor of the lease or purchase agreement shall simply mean that the terms contained in the lease or purchase agreement, including general business terms, are acceptable to Franchisor. Franchisee acknowledges that it is not relying on Franchisor's lease or purchase agreement negotiations, lease or purchase agreement review or approval, or site approval and acknowledges that any involvement by Franchisor in lease negotiations is for the sole benefit of Franchisor. Franchisee acknowledges and understands that it has been advised to obtain its own competent counsel to review the lease or purchase agreement before Franchisee signs any lease or purchase agreement.

3.3.3 If Franchisee does not agree with any lease provisions that Franchisor has approved or negotiated, Franchisee may elect not to sign the lease, but Franchisee would be required to find another suitable site for the Approved Location. If Franchisee rejects a site Franchisor approves because Franchisee does not agree with the lease provisions that Franchisor or its representatives have negotiated, Franchisor may permit another franchisee to enter into a lease for such site, whether on the terms Franchisee rejected, or other terms.

3.4. **Relocation.** In the event the lease term is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Approved Location, Franchisee shall relocate the Franchised Business to a site mutually acceptable to Franchisee and Franchisor in accordance with Franchisor's specifications and subject to Section 3.2 and Section 3.3, in order to complete the balance of the term of this Agreement. Franchisee shall give Franchisor notice of Franchisee's intent to relocate, pay the then-current relocation fee and must complete all steps to either enter into a lease or sublease or an agreement to purchase the site within 60 days after closing the Franchised Business at the original location. Franchisee must open the Franchised Business for business at the new location within 180 days of closing the original location. If Franchisee fails to comply with the terms of this Section 3.4, Franchisor may terminate this Agreement.

4. **FEES AND COSTS**

4.1. **Initial Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee in the amount of \$49,500 in cash, wire transfer or by certified check, at the time of execution of this Agreement. The initial franchise fee is fully earned and is not refundable under any circumstances.

4.2. **Royalty Fee.**

4.2.1. **Royalty; Gross Revenues.** Franchisee shall pay to Franchisor a royalty fee equal to 7% of all "Gross Revenues" of the Franchised Business, currently payable on the 17th day of the month for Gross Revenue collected from the 1st-15th days of the month and payable on the 2nd day of the next month for Gross Revenue collected from the 16th to the last day of the previous month. "Gross Revenues" shall include all revenues from sales made by Franchisee from all business conducted at or from, or in connection with the Franchised Business, including but not limited to amounts received from the sale of all goods and services (including any monies received during pre-sales) and tangible property of any nature. Gross Revenues shall not include the amount of any sales tax imposed by any federal, state, municipal or other governmental authority. Franchisee agrees to pay all of these taxes when due. Each charge or sale upon installment or credit shall be treated as having been received in full by Franchisee at the time the charge or sale is made, regardless of when or if Franchisee receives payment. Sales relating to items for which the full purchase price has been refunded or the item exchanged shall be excluded from Gross Revenues at the time of refund or exchange, provided that these sales have previously been included in Gross Revenues.

4.2.2. **Payment; Reporting.** The Royalty Fee shall be paid by Franchisee via electronic fund transfer on the days outlined in section 4.2.1 or another day Franchisor specifies. Franchisor reserves the right to change collection frequency. Franchisee must provide weekly summaries of sales and services rendered during the preceding week, (hereinafter, "Report"), which Report shall accurately reflect all monies received or accrued, sales or other services performed during the relevant period and such other additional information as may be required by Franchisor as it deems necessary in its sole discretion to properly

evaluate the progress of Franchisee. Franchisee shall provide the Report in the manner that Franchisor specifies no later than the day following the close of the reporting week, or at such time that Franchisor specifies. If Franchisee fails to submit any Report on a timely basis, Franchisor may withdraw from Franchisee's operating account 120% of the last Royalty Fee debited. Any overpayments from the withdrawn amount shall be forwarded to Franchisee or credited to Franchisee's account; Franchisee shall pay any underpayments, with interest.

4.2.3. Single Operating Account; ACH. Franchisee shall make suitable arrangements for on time delivery of payments due to or collected by Franchisor under this Agreement. Franchisee shall designate one account at a commercial bank of its choice (the "Account") for the payment of continuing periodic royalty, advertising contributions to the Fund (defined in Section 4.3.3.1) and any other amounts due Franchisor in connection with this Agreement and the Franchised Business. Franchisor shall have "view-only" access. In addition, Franchisee shall furnish the bank with authorizations necessary to permit Franchisor to make withdrawals from the Account by electronic funds transfer (a copy of a form acceptable to Franchisor is currently attached as Exhibit 11). Franchisee shall bear any expense associated with these authorizations and electronic funds transfers. Franchisee shall pay Franchisor its actual cost incurred for bank charges, plus Franchisor's then-current administrative fee in Franchisor's sole discretion if the electronic funds transfer attempt is unsuccessful in whole or in part, or rejected, or if Franchisee closes the operating account, or any check or other means of payment used is returned not paid. Franchisor shall provide Franchisee with a written confirmation of electronic funds transfers, which may be made monthly and which Franchisor may send by facsimile, email, or other electronic means.

4.3. Advertising. Franchisee agrees to actively promote the Franchised Business and to abide by all of Franchisor's advertising requirements. Franchisee shall comply with each of its advertising obligations provided in this Agreement notwithstanding the payment by other K9 Resorts System franchisees of greater or lesser advertising obligations or default of these obligations by any other franchisees. Franchisee may not take part in any sales from a location other than the premises of the Franchised Business and may not actively market outside Franchisee's Protected Area without Franchisor's permission, which may be contingent upon Franchisee's agreement to provide other System franchisees whose businesses are located within the circulation area of the proposed advertising the opportunity to contribute to and to participate in the advertising. With regard to advertising generally for the Franchised Business, Franchisee shall place or display at the Franchised Business premises (interior and exterior) only such signs, emblems, lettering, logos and display and advertising materials as Franchisor approves in writing from time to time. No outside solicitations are permitted. All advertising, marketing and promotion by Franchisee of any type shall be conducted in a dignified manner, shall coordinate and be consistent with Franchisor's marketing plans and strategies and shall conform to the standards and requirements Franchisor prescribes. If Franchisor determines at any point that any advertising materials no longer conform to System requirements, Franchisor shall provide Franchisee with notice of the same, at which point Franchisee shall promptly discontinue such use. Except as may otherwise be approved in writing by Franchisor, Franchisee shall not use any advertising or promotional materials which Franchisor has not approved in writing (including, without limitation, any brand collateral materials which will be distributed by Franchisor or Franchisor's designated vendor), and Franchisee shall promptly discontinue use of any advertising or promotional materials previously approved, upon notice from Franchisor.

4.3.1. Pre- Launch Advertising. During the 90-day period before the opening of the Franchised Business, Franchisee shall expend at least \$30,000 on grand opening advertising and promotion in and/or for Franchisee's market area. Franchisor shall make such expenditure in accordance with Franchisor's written requirements and specifications. Franchisee has the right, but is not required, to spend additional sums with respect to grand opening advertising. Franchisee shall keep detailed records of all expenditures and provide these records to Franchisor within 15 days if Franchisor requests them. Franchisor reserves the right to require Franchisee to pay these monies to Franchisor or its affiliate for use on Franchisee's behalf.

4.3.2. Minimum Advertising Expenditure; Local Advertising. During Franchisee's first 4 months of operation, Franchisee must spend at least \$20,000 (a minimum of \$5,000 per month) to advertise the Franchised Business, including amounts spent to create a virtual video tour. Thereafter, in

each additional month during the term of this Agreement, Franchisee shall expend the greater of (i) 3% of Franchisee's monthly Gross Revenues; or (ii) \$2,000 per month on local advertising, at Franchisee's discretion, in print, radio, television or internet form as described in this Section 4.3.3 and in Section 4.3.4 ("Minimum Advertising Expenditure"). During any period that the Franchised Business is exceeding annual Gross Revenues of more than \$1,250,000 than the Minimum Advertising Expenditure shall be reduced to 2% of Franchisee's monthly Gross Revenues, subject to a minimum of \$2,000.00 per month. Franchisee must submit to Franchisor, for approval, at least thirty (30) days in advance of placement deadlines, copies of all advertising and promotional materials, including but not limited to, business cards, signs, displays and mail outs. Franchisee must use Franchisor's approved vendor to handle all local advertising and must enter into an agreement with the vendor allowing it to ACH all fees and contributions. Franchisee may be required to include certain language and/or contract information for the Franchisor in its advertisements.

Franchisor may require Franchisee to participate in a designated local SEO package and pay the then-current monthly fee. This package may include continued search engine optimization, including ongoing analysis of the local market, basic strategies related to on-site optimization, as well as ongoing Google Business Profile (GBP) listing optimization. The package may include new GBP features as they roll out, monitoring Franchisee's local market, reporting competitor GBP spam, and more. Alongside implementing strategies on GBP, it may perform basic on-site keyword optimization strategies. This fee is paid directly to Franchisor's designated vendor however Franchisor reserve the right to require that it be paid to Franchisor or its affiliates. This fee is not credited towards the Minimum Advertising Expenditure.

4.3.3. Brand Development Fund.

4.3.3.1 Franchisor has the right to establish, administer and control the Brand Development Fund (the "Fund"). Franchisee agrees to contribute to the Fund in an amount of up to 2% (currently 1 %) of Franchisee's monthly Gross Revenues weekly via electronic fund transfer or as otherwise directed by Franchisor. Franchisee agrees to expend and/or contribute all advertising fees required under this Agreement notwithstanding the actual amount of contribution by other franchisees of Franchisor, or of default of this obligation by any other franchisees. Franchisor may maintain contributions to the Fund in a separate bank account or hold them in Franchisor's general account and account for them separately. Franchisor may establish separate entities to administer the Fund and the Fund contributions. Franchisor intends the Fund to be of perpetual duration, but Franchisor maintains the right to terminate the Fund or to create new Fund accounts or merge accounts. Franchisor shall not terminate the Fund until all money in the Fund has been expended for advertising and/or marketing purposes or returned to contributors on the basis of their respective contributions. The money contributed to the Fund shall not be considered to be trust funds. Franchisor and any designee shall not have to maintain the money in the Fund in interest bearing accounts or obtain any level of interest on the money and Franchisor does not owe any fiduciary obligation for administering the Fund.

4.3.3.2 Franchisor has the right to use Fund contributions, at its discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the K9 Resorts System, including the costs of preparing and conducting radio, television, electronic and print advertising campaigns in any local, regional or national medium; utilizing networking and social media sites, such as Facebook, Twitter, LinkedIn, YouTube, Instagram Pinterest and on-line blogs and forums; creating and/or maintaining a presence in virtual worlds; developing, maintaining, and updating a World Wide Web or Internet site for System Franchised Business; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering in-store promotions and "mystery shopper" program(s) which may include call recording; implementation and use of Client Relationship Management software and solutions; and providing promotional and other marketing materials and services to the businesses operating under the System. Franchisor is not required to spend any amount of Fund contributions in the area in which the Franchised Business is located. Franchisor's decisions in all aspects related to the Fund shall be final and binding. Franchisor may charge the Fund for the costs and overhead, if any, Franchisor incurs in activities reasonably related to the creation, implementation and administration

of the Fund and the advertising and marketing programs for franchisees. These costs and overhead include the proportionate compensation of Franchisor's employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the Fund. At Franchisee's written request, Franchisor shall provide fiscal year end unaudited financial statements accounting for the applicable Fund expenditures when available. Franchisee may have to purchase advertising materials produced by the Fund, by Franchisor or by its parent, predecessor or affiliate, and Franchisor, or its parent, predecessor or affiliate, may make a profit on the sale. Franchisor reserves the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. The Fund may spend more or less than the total annual Fund contributions in a given fiscal year and may borrow funds to cover deficits. Fund contributions not spent in the fiscal year in which they accrue, will be carried over for use during the next fiscal year.

4.3.3.3 The advertising and promotion Franchisor conducts is intended to maximize general public recognition and patronage of System businesses and the K9 Resorts brand generally in the manner that Franchisor determines to be most effective. Franchisor is not obligated to ensure that the expenditures from the Fund are proportionate or equivalent to Franchisee's contributions or that the Franchised Business or any K9 Resorts business shall benefit directly or pro rata or in any amount from the placement of advertising.

4.3.3.4 From time to time, Franchisor may, in its sole discretion, establish special promotional campaigns applicable to the K9 Resorts System franchisees as a whole or to specific advertising market areas. If Franchisee participates in any special promotional programs, Franchisee shall be required to pay for the development, purchase, lease, installation and/or erection of all materials necessary to such promotional campaigns, including but not limited to posters, banners, signs, photography or give-away items. Franchisee may not offer any special promotional programs without Franchisor's prior written consent. Additionally, Franchisee shall be required to offer any and all discounts mandated by Franchisor to clients designated by Franchisor to receive same and comply with the requirements of any gift card, gift certificate, customer loyalty or retention, or special promotional program that Franchisor implements for all or part of the System and shall sign the forms and take the other action that Franchisor requires for Franchisee to participate in such programs. Franchisee must honor all gift cards presented regardless of where or how the gift card was originally purchased. Franchisee may not create unapproved rewards or loyalty programs.

4.3.4 Website Requirements. Franchisee shall not develop, own or operate any website (or establish any other online presence, including a presence in virtual worlds, or post to any social media platform, including but not limited to, Facebook, Twitter, LinkedIn, YouTube, Instagram and Pinterest) using the Proprietary Marks or otherwise referring to the Franchised Business or the products or services sold under the K9 Resorts System (each the "Website") without Franchisor's prior written approval. All content on a Website is deemed to be advertising and must comply with the requirements Franchisor establishes for websites in the Confidential Operations Manual or otherwise. If Franchisor requires, Franchisee shall establish the Website as part of the website(s) Franchisor or the Fund or Franchisor's designee establishes. Franchisee shall establish electronic links to Franchisor's website(s) or any other website Franchisor designates. Franchisor has the right, but not the obligation, to establish and maintain a Website, which may promote the Proprietary Marks and /or K9 Resorts System and/or the businesses operating under the K9 Resorts System. Franchisee must pay to Franchisor any fee imposed by Franchisor or Franchisee's pro rata share of any fee imposed by a third party service provider, as applicable, in connection with hosting the Website. Franchisor will have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. Franchisor will also have the right to discontinue operation of the Website at any time without notice to Franchisee. Franchisee's webpage may be removed and all mention of the Franchised Business location may be removed from Franchisor's website and/or social media accounts anytime Franchisee is found to not be in compliance with the System or anything required under this Agreement. Access will be reinstated only once violations are deemed cured, in Franchisor's sole discretion. Currently, Franchisor does not charge any fee for franchisees for the use of its Website, but reserves the right to do so. Upon the expiration, termination or non-renewal of this agreement, Franchisee will assign any permitted website domain or social media account used in connection with the Franchised Business to Franchisor.

4.3.5 Advertising Cooperatives. Franchisor reserves the right to create a regional advertising cooperative and require Franchisee to contribute an amount determined by the cooperative, up to 2% of Franchisee's monthly Gross Revenues. Amounts contributed to a cooperative will not be credited against monies Franchisee is otherwise required to spend on local advertising or required to contribute to the Fund. Franchisor has the right to draft Franchisee's bank account for the advertising cooperative contribution and to pass those funds on to the respective cooperative. The cooperative members are responsible for the administration of their respective advertising cooperative, as stated in the by-laws that Franchisor approves. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. Franchisor may require a cooperative to prepare annual or periodic financial statements for review. Each cooperative will maintain its own funds; however, Franchisor has the right to review the cooperative's finances, if it so chooses. The Franchised Business may not benefit directly or proportionately to its contribution to the Cooperative. Franchisor reserves the right to approve all of a cooperative's marketing programs and advertising materials. On 30 days written notice to affected franchisees, Franchisor may terminate or suspend a cooperative's program or operations. Franchisor may form, change, dissolve or merge any advertising cooperative.

4.4 Technology Fee. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable, but unpredictable, changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, new standards for the implementation of technology in the K9 Resorts System; and Franchisee agrees that he or she will abide by those standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose. Franchisor reserves the right to require Franchisee to pay to Franchisor, its affiliate, or approved vendor, its then-current technology fee for modifications and enhancements made to the website, proprietary software, maintenance and support services Franchisor offers, and for email accounts for Franchisee (or the Operating Principal), the General Manager and the Franchised Business location. Franchisor reserves the right to increase the Technology Fee upon 30 days written notice. Technology Fee payments are made on the first Wednesday of each month via electronic fund transfer or at such time and in such manner as otherwise designated by Franchisor. Franchisee must begin paying the monthly Technology Fee when the Franchised Business opens for business.

4.5 Management Fee. If Franchisor determines in its sole judgment that the operation of the Franchised Business is in jeopardy due to Franchisee or an owner's death, disability or for any other reason, including occurrence of a default, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, Franchisee authorizes Franchisor to operate the Franchised Business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In Franchisor's sole judgment, it may deem Franchisee incapable of operating the Franchised Business if, without limitation, Franchisee fails to make payments when due or fails to remove any and all liens or encumbrances of every kind placed upon or against the business; or if Franchisor determines that operational problems require that it operate the Franchised Business for a period of time that it determines, in its sole discretion, to be necessary to maintain the operation of the business as a going concern. Franchisor shall receive its then current fee for same. Franchisor reserves the right to change its fee upon 30 days written notice. In addition, Franchisee will also be required to pay Franchisor's expenses (including reasonable attorney's fees incurred) and fees due under this agreement, such as royalties. In the event Franchisor exercises these rights, Franchisee agrees to hold Franchisor and its representatives harmless for all actions occurring during the course of such temporary operation. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

4.6 Collection Costs, Attorneys' Fees, Interest. Any late payment or underpayment of the Royalty Fee, advertising contributions and any other charges or fees due Franchisor or its parent, predecessor or affiliate from Franchisee, shall bear interest from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate which may be charged for commercial transactions in the state in which the Franchised Business is located. If Franchisor engages an attorney to collect any unpaid amounts under this Agreement or any related agreement (whether or not a formal arbitration claim or judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, arbitration costs, court costs and collection expenses incurred by Franchisor. If Franchisee is in breach or default of any non-monetary material obligation under this Agreement or any related agreement, and Franchisor engages an attorney to enforce its rights (whether or not a formal arbitration claim or judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, arbitration costs, court costs and other expenses incurred by Franchisor.

4.7 Audit. Franchisee shall maintain accurate business records, reports, correspondence, accounts, books and data relating to Franchisee's operation of the Franchised Business. At any time during normal business hours, Franchisor or its designee may enter the Franchised Business or any other premises where these materials are maintained and inspect and/or audit Franchisee's business records and make copies to determine if Franchisee is accurately maintaining same. Alternatively, upon request from Franchisor, Franchisee shall deliver these materials to Franchisor or its designee. If any audit reveals that Franchisee has understated Gross Revenues by 5% or more, or if Franchisee has failed to submit complete Reports and/or remittances to Franchisor for any 2 reporting periods, or Franchisee does not make these materials available, Franchisee shall pay the reasonable cost of the audit and/or inspection, including the cost of auditors and attorneys, incurred by Franchisor, together with amounts due for royalty and other fees as a result of such understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported, no later than fourteen (14) days after the completion of such audit.

4.8 Financial Records and Reports. Franchisee shall maintain for at least 5 fiscal years from their production, or any longer period required by law, complete financial records for the operation of the Franchised Business in accordance with generally accepted accounting principles and shall provide Franchisor with: (i) the Gross Revenue records, which Franchisor may access on a regular basis through the point of sale system or other equipment used in connection with the recording of Franchisee's Gross Revenues; (ii) unaudited annual financial reports and operating statements in the form specified by Franchisor, prepared by a certified public accountant or state licensed public accountant, within 60 days after the close of each fiscal year of Franchisee; (iii) state and local sales tax returns or reports within 15 days after their timely completion; (iv) federal, state and local income tax returns for each year in which the Franchised Business is operated, within 60 days after their timely completion; and (v) such other reports as

Franchisor may from time to time require, in the form and at the time prescribed by Franchisor, setting forth, without limitation, such items as client enrollment, quantities of inventory purchased, and the sources from which inventory was obtained. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at its discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records to be used by Franchisee, and specify the type of point of sale system or other equipment and software to be used in connection with the recording of Gross Revenues. Franchisor may obtain Gross Revenues and other information from Franchisee by modem or other similar means, from a remote location, without the need for consent, at the times and in the manner as Franchisor specifies, in Franchisor's sole discretion.

4.9 Taxes on Payments to Franchisor. In the event any taxing authority, wherever located, shall impose any tax, levy or assessment on any payment made by Franchisee to Franchisor, Franchisee shall, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

4.10 No Right of Set Off. Franchisee has no right to offset or withhold payments of any kind owed or to be owed to Franchisor, or its parent, predecessor or affiliate, against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an award from a court of competent jurisdiction.

4.11 Real Estate & Facilities Coordination Fee. Franchisee shall pay to Franchisor a Real Estate & Facilities Coordination Fee in the amount of \$29,500 for assistance, through Franchisor or Franchisor's vendors, with agent sourcing, site identification, lease negotiation, zoning, design and construction consultation. This fee covers Franchisor assistance and coordination only and is in addition to architect fees, construction management fees beyond coordination, construction costs, inspection fees, license submission fees, attorney's fees, agency fees, and other direct and indirect costs associated with the procurement and build out of the Franchised Business. This fee is due upon the signing of this Agreement and is fully earned upon receipt and is not refundable under any circumstances. This fee is payable regardless of the number of offered services associated with this fee that are utilized. No discounts or refunds are provided if any of the services offered are deemed unnecessary under the circumstances.

4.12 Marketing Service Package Fee. Franchisee shall pay the then current fee for Marketing Services. Marketing Services may include (i) Marketing team support, including website performance monitoring and monitoring of paid advertising campaigns, as well as recommendations for digital marketing strategies based on brand results across the country; (ii) Access to marketing reports, analytics, lead tracking software, cell tracking numbers for marketing campaigns, call recording, review tracking, and reputation outreach services to solicit reviews from guests; (iii) Online listing management of Facebook, Google My Business and 50+ directories; (iv) Technical SEO services including website optimization, managing and adapting for page speed, structured data, redirects and crawl errors, as well as management of database communications between Google Analytics, Scorpion Analytics and Google Search Console or other search or analytics databases; and (v) brand based social media posts.

4.13 Customer Complaint Reimbursement. Franchisee shall reimburse Franchisor for all costs and expenses incurred by Franchisor in resolving complaints of customers of Franchisee's Resort if, in Franchisor's sole discretion, Franchisee fails to adequately do so, including the cost of any remedy provided to the customer, which shall be granted in franchisor's discretion.

5. FRANCHISOR SERVICES

5.1. Site Selection.

5.1.1. Site Selection Assistance. Franchisor or its designated suppliers, shall assist Franchisee in identifying potential locations that meet Franchisor's standards and criteria, including size, layout and other physical characteristics. As part of the Real Estate & Facilities Coordination Package, Franchisor will provide some or all of the following services:

- a) *Real Estate Agent Sourcing* – Franchisor's real estate team will source and vet real estate agents

local to Franchisee's market area. Franchisee must use the real estate agent designated by Franchisor. They will be educated about the franchise system, site criteria and standard operating forms. Once this is completed the operations team will host a real estate kick-off call. Agent fees are not included in the Real Estate & Facility Coordination Fee.

- b) *Demographic Analysis* – Franchisor and/or Franchisor's designated provider will prepare a market demographic study for the Search Area to assist Franchisee in identifying target market areas based upon demographic benchmarks. Upon request, Franchisor and/or Franchisor's designated provider will prepare demographic information for each site entering the LOI/Lease phase.
- c) *Site Selection Review* – Franchisor's operation team member(s) will facilitate bi-weekly calls to assist in managing the site selection process. This includes, but is not limited to, evaluating sites based on size, unit economics, operational functionality and logistical customer experience.
- d) *LOI - Lease Negotiation* – Franchisor's operations team member(s) will assist Franchisee's real estate team with lease negotiations, including assisting with preparation and submission of a standard Letter of Intent ("LOI") for each property. The local agent will act as a real estate broker and coordinate with Franchisee and Franchisee's attorney. Franchisee is advised to retain legal representation for any real estate transaction. Attorney's fees and real estate agent fees are not covered by the Real Estate & Facility Coordination Fee
- e) *Design Evaluation* - Once the Approved Location has been leased, Franchisor's operations team member(s) will review floor plan and elevations drawings to provide feedback and suggestions based on location and sizing of revenue generating spaces, operating pathways and overall fit with the base franchise prototype. Architectural fees are not covered by the Real Estate & Facility Coordination Fee.
- f) *Zoning – Operational Data Support* – Franchisor's operations team member(s) will virtually attend calls leading up to a zoning hearing date. Franchisee's zoning team will be provided information about the operations side of K9 Resorts; including but not limited to, sample employee counts, boarding and daycare counts, seasonality, sanitation procedures, and operating protocols. Franchisor's operations team member(s) will physically attend one (1) zoning hearing and testify to the brand and its operations. This includes the cost of travel and board for one team member to attend. Attorney or professional fees are not included in the Real Estate & Facility Coordination Fee.
- g) *General Contractor Bid Review* – Franchisor's operations team member(s) will review bid proposals from general contractors and provide suggestions.
- h) *Construction Support* – Franchisor's operations team member(s) will communicate with Franchisee's choice of pre-approved general contractors, as needed, to facilitate answering questions needed for the completion of the project. Additional support will be provided in reviewing change orders, impact of modifications and expenses associated with unexpected and unpredictable events.

Franchisee must acquire an acceptable site within twelve (12) months from the effective date of the Franchise Agreement. This assistance provided by Franchisor or its designees does not relieve Franchisee of the primary obligation to locate and open a suitable site in the required timeframe.

5.1.2. Site Selection Approval. Franchisor or its designated suppliers shall review and approve or disapprove sites proposed by Franchisee for the location of the Franchised Business. Final site selection must be acceptable to both Franchisor and Franchisee. Upon the selection of a mutually acceptable site, Franchisor or its designee shall review Franchisee's proposed lease or purchase agreement for the premises. Neither Franchisor's acceptance of a site nor approval of a proposed lease or purchase agreement constitutes a representation or guarantee that the Franchised Business shall be successful.

5.2. Layout. Franchisor shall provide Franchisee with a copy of a floor plan designed for a prototypical K9 Resorts business. Franchisee shall construct and equip the Franchised Business in accordance with Franchisor's then-current approved specifications and standards pertaining to design and layout of the premises, and to equipment, signs, fixtures, furnishings, location and design and accessory features. Franchisee must hire Franchisor's exclusive architect and a mechanical engineer approved by Franchisor to prepare plans and make any necessary changes to the standard floor plan design. Either the

architect or Franchisee must certify that the architectural renderings, plans, and specifications comply with the Americans with Disabilities Act (the "ADA"), the architectural guidelines under the ADA, and all applicable state and local codes for accessible facilities before approval will be granted for the final plans. Franchisee shall bear the cost and responsibility of compliance with state or local ordinances, including but not limited to architectural seals, zoning and other permits. All costs of and connected with the construction, leasehold improvements, equipment, furnishings, fixtures, and signs are the responsibility of Franchisee. The layout, design and appearance (the "trade dress") of the Franchised Business shall meet Franchisor's approval and conform to Franchisor's standards and specifications as set forth in the Confidential Operations Manual, and Franchisee may not alter the trade dress without Franchisor's consent.

5.3. **Training.**

5.3.1. **Initial Training.** Franchisor shall provide, either itself or through its designee, an initial training program to be held in Fanwood or Hamilton, New Jersey, at the Franchised Location or another location designated by Franchisor, or virtually, at the times Franchisor shall designate, at Franchisor's discretion. Franchisor shall schedule an initial training program, at Franchisor's convenience, between the time Franchisee signs this Agreement and the time Franchisee is scheduled to open the Franchised Business. Franchisee, or if Franchisee is a business entity, Franchisee's Operating Principal, Franchisee's General Manager and Assistant Manager (if applicable) shall attend and complete the initial training program to Franchisor's satisfaction at least thirty (30) days prior to the opening of the Franchised Business. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending training. If initial training is otherwise required for Franchisee or any equity owner, General Manager, or other employee, Franchisee shall pay Franchisor's then-current tuition for each person to attend the initial training program. Each of Franchisee's additional and/or replacement General Managers and assistant managers shall attend and complete to Franchisor's satisfaction Franchisor's initial training program prior to assuming management responsibility. Additionally, Franchisee must make arrangements to ensure that all employees hold all required pet care certifications from pet care organizations designated by Franchisor. All employees must complete and pass Franchisor's internal required training prior to beginning work.

5.3.2. **On-Site Training.** Franchisor shall provide other on-going assistance as Franchisor deems appropriate and advisable. Subject to availability of personnel and at the request of Franchisee, Franchisor shall make available corporate personnel to provide additional on-site assistance at Franchisee's location and may charge Franchisee its then-current tuition plus the travel, lodging and meal costs for Franchisor's trainers. Franchisor will provide Franchisee with opening assistance for up to seven days at no additional charge for Franchisee's first Franchised Business. Opening assistance for additional Franchised Businesses will be at the Franchisor's discretion.

5.3.3. **Refresher Courses; Supplemental Training.** Franchisor reserves the right to offer refresher courses and supplemental training programs, which, in Franchisor's sole discretion, may be optional or mandatory, from time to time, to Franchisee, its equity owners (if Franchisee is a business entity), its General Manager, instructors and/or its employees. In addition to paying Franchisor's then-current cost for tuition, Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any refresher or supplemental training.

5.3.4. **Administration of Brand Development Fund.** Franchisor shall administer the advertising contributions to the Fund paid by Franchisor under this Agreement as described in Section 4.3.3.

5.4. **Continuing Consultation and Advice.** In addition to the assistance rendered Franchisee prior to opening, Franchisor shall provide Franchisee continuing consultation and advice as Franchisor deems advisable during the term of this Agreement regarding client procurement, sales and marketing techniques, inventory, personnel development and other business, operational and advertising matters that directly relate to the operation of the Franchised Business. Such assistance may be provided by telephone, facsimile, email, postings to Franchisor's intranet, periodically through on-site assistance by appropriate

personnel of Franchisor, and/or other methods. Franchisor reserves the right to delegate any or all of its obligations under this Agreement to a third party of its choosing. Franchisor is not obligated to perform services set forth in this Agreement to any particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided, other than as set forth in this Agreement. To the extent any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment for the provision of such service or level of service in writing signed by an authorized officer of K-9 Franchising, LLC, which shall be given only by the Chief Executive Officer.

5.5. Confidential Operations Manual. Franchisor shall loan or otherwise provide access by Franchisee to one copy of a specifications, operations and procedures manual, and one copy of other books, binders, videos or other electronic media, intranet postings and other materials, and appropriate revisions as may be made from time to time, referred to collectively as the "Confidential Operations Manual". Franchisee shall operate the Franchised Business in strict compliance with the Confidential Operations Manual. From time to time Franchisor may, through changes in the Confidential Operations Manual or by other notice to Franchisee, change any standard or specification or any of the Proprietary Marks applicable to the operation of the Franchised Business or change all or any part of the System, and Franchisee shall take all actions, at Franchisee's expense, to implement these changes. Franchisor may vary the standards and specifications to take into account unique features of specific locations or types of locations, special requirements and other factors Franchisor considers relevant in its sole discretion. The Confidential Operations Manual shall be confidential and at all times remain the property of Franchisor. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Confidential Operations Manual. The provisions of the Confidential Operations Manual constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee shall ensure that its copy of the Confidential Operations Manual is current and up-to-date. If there is a dispute relating to the contents of the Confidential Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling. Franchisor may elect to provide the Confidential Operations Manual solely through Franchisor's website(s) and/or intranets or other electronic means without any need to provide Franchisee with a paper copy or other physical format. Franchisor may release the Confidential Operations Manual in sections at varying times. Franchisor will not release the Confidential Operations Manual until (i) Franchisee has obtained municipal approval; (ii) Franchisee has closed on all loans for the Franchised Business; and (iii) a lease or purchase agreement for the Approved Location has been executed and provided to Franchisor. If Franchisee requires a replacement copy of the Confidential Operations Manual it will be subject to Franchisor's then current Confidential Operations Manual Replacement Fee.

5.6. Annual Franchise Meeting. Franchisor reserves the right to hold a meeting or convention of all franchisees, which will not be held more frequently than annually. Franchisor may designate that attendance at a franchisee meeting by Franchisee, Franchisee's Operating Principal, General Manager and/or certain personnel is mandatory. In situations where full attendance is not mandated, in no event shall less than one approved representative attend. Failure to attend shall result in the payment to Franchisor of its then-current fee. Franchisor reserves the right to charge a fee for the franchisee meeting, and Franchisee must pay all expenses incurred by all attendees on its behalf, including travel, lodging, meals, applicable wages and meeting materials.

6. FRANCHISE SYSTEM STANDARDS

6.1. Opening for Business. Franchisee must acquire an acceptable site within twelve (12) months after the execution of this Agreement and open the Franchised Business for business within eighteen (18) months after the execution of this Agreement. Franchisee shall not open the Franchised Business for business until Franchisee has complied with Franchisor's requirements for opening, and Franchisor has granted Franchisee written permission to open. Franchisor's opening requirements include: (i) Franchisee must have paid the initial franchise fee and other amounts then due to Franchisor, or its parent, predecessor or affiliate; (ii) the Franchised Business complies with Franchisor's standards and specifications; (iii) all required personnel have satisfactorily completed Franchisor's pre-opening training requirements; (iv) Franchisee has obtained all applicable licenses and permits; (v) Franchisee has provided Franchisor with copies of all required insurance policies and evidence of coverage and premium payment

and (vi) Franchisor has provide its written approval. If the Franchised Business is not opened for business within eighteen (18) months from the date of this Agreement, Franchisor may terminate this Agreement.

6.2. Compliance with Standards. Franchisee acknowledges that its obligations under this Agreement are reasonable, necessary and desirable for the operation of the Franchised Business and the K9 Resorts System. Franchisee shall adhere to Franchisor's standards and specifications as set forth in this Agreement and the Confidential Operations Manual, including, but not limited to, specifications of product quality and uniformity and equipment compatibility among individual K9 Resorts franchisees, and any revisions or amendments. Franchisee shall purchase only products and services, including K9 Resorts branded products, inventory, supplies, furniture, fixtures, equipment, signs, software and logo-imprinted products, which Franchisor approves, including purchasing from approved suppliers or a designated sole supplier for any items. Franchisor and its parent, predecessor or affiliate may be an approved supplier or designated sole supplier for any purchases of products or services, including, without limitation, branded products and supplies, and may obtain revenue from Franchisee and make a profit. Franchisee must purchase or obtain these products and services through Franchisor or a supplier approved by Franchisor. Franchisee cannot be a supplier to other franchisees without Franchisor's written approval. Suppliers requiring approval include realtors, contractors, and advertising agencies. If Franchisor has not designated an approved supplier for a particular product or service, Franchisee shall purchase these products and services only from suppliers that meet Franchisor's standards and specifications. Franchisor is not liable for the actions of any supplier or vendor. Franchisee may request approval of a supplier under Franchisor's published procedures, which include inspection of the proposed supplier's facilities and testing of product samples. Franchisor or the independent testing facility Franchisor designates may charge a fee for the testing. Franchisee or the proposed supplier shall pay the test fees. Franchisor may also charge its then-current fee for Franchisor's services in making a determination on the proposed supplier. Franchisor will reimburse the evaluation fee if it approves the product, supplier or professional for the entire System. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any approved supplier, and to revoke approval if the supplier fails to continue to meet any of Franchisor's criteria. Franchisor may receive fees and other payments from suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes. Franchisor shall provide Franchisee a standard price list for items which it sells to franchisees, including a description of each item and applicable price or lease terms, prepayment discounts (if any) and shipping charges. Franchisee may only offer and sell the products and services that Franchisor periodically specifies and may not offer or sell at the Franchised Business, the Approved Location or any other location any products or services Franchisor has not authorized. Franchisee must discontinue selling and offering for sale any products or services that Franchisor at any time disapproves. If Franchisee is found to not be in compliance with any System standard for any reason, Franchisor may require that Franchisee attend an in-person meeting, at Franchisee's cost. Franchisee agrees at all times to operate and maintain the Franchised Business according to each and every System Standard, as Franchisor periodically modifies and supplements them. System Standards may regulate any aspect of the Franchised Business's operation and maintenance.

6.3. Operations.

6.3.1. Franchisee shall keep the Franchised Business open for only those hours and days specified by Franchisor in the Confidential Operations Manual and must keep the Franchised Business opened for such hours and days.

6.3.2. Franchisee shall maintain the Franchised Business in a clean, safe and attractive manner, and in accordance with all applicable requirements of law and the Confidential Operations Manual. Franchisee and its employees shall give prompt, courteous and efficient service to the public and shall otherwise operate the Franchised Business so as to preserve, maintain and enhance the reputation and goodwill of the K9 Resorts System.

6.3.3. Franchisee shall at all times maintain and employ working capital as Franchisor may reasonably deem necessary to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities under this Agreement and to operate the business in a businesslike, proper and efficient manner.

6.3.4. Franchisee shall operate the Franchised Business in conformity with the highest ethical standards and sound business practices and in a manner which shall enhance the K9 Resorts name and brand and the K9 Resorts System. Franchisee shall employ a sufficient number of qualified, competent people to satisfy the demand for its products and services as well as other office personnel. Franchisee shall be solely responsible for all employment decisions and functions, including hiring, firing, discipline, supervision, setting terms of employment and compensation and implementing a training program for employees of the Franchised Business in accordance with training standards and procedures Franchisor specifies in order for Franchisee to conduct the business of the Franchised Business at all times in compliance with Franchisor's requirements. Franchisee shall never represent or imply to prospective employees that they shall be or are employed by Franchisor. Franchisee must communicate clearly with its employees in its employment agreements, employee manuals, human resources materials, written and electronic correspondence, pay checks and other materials that Franchisee (and only Franchisee) is their employer, and Franchisor is not their employer and does not engage in any employer-type activities, for which only Franchisee is responsible.

6.3.5. Franchisee acknowledges that proper management of the Franchised Business is extremely important. Franchisee (or its Operating Principal) is responsible for the management, direction and control of the Franchised Business. If Franchisee is an entity, Franchisee must appoint and maintain throughout the Term an "Operating Principal", who must be an equity owner of at least 10% of the Franchised Business. The Operating Principal is identified on Exhibit 2 to this Agreement. The Operating Principal shall have the authority to bind Franchisee in all operational decisions regarding the Franchised Business. Franchisor shall have the right to rely on any statement, agreement or representation made by the Operating Principal. The Operating Principal cannot be changed without Franchisor's prior written approval.

Franchisee must hire a General Manager to be responsible for the direct on-premises supervision of the Franchised Business at all times during the hours of operation. Franchisee's General Manager must furnish full-time attention and best efforts to the management of the Franchised Business. However, Franchisee is still responsible for the operations of the Franchised Business and its obligations under the Franchise Agreement. Franchisee may not change the General Manager of the Franchised Business without Franchisor's prior approval. Franchisor must be given notice if a General Manager resigns or is otherwise terminated within seventy-two hours.

At all times, Franchisee will keep Franchisor advised of the identity of the General Manager. The General Manager need not have any equity interest in the franchise. Franchisee will disclose to the General Manager only the information needed to operate the Franchised Business and the General Manager will be advised that any confidential information is Franchisor's trade secret.

6.3.6. Franchisee shall maintain the Franchised Business and the Approved Location in "like new" condition, normal wear and tear excepted, and shall repaint, redecorate, repair or replace equipment, fixtures and signage as necessary to comply with the standards and specifications of Franchisor. Franchisee shall, at its expense, redecorate, repair and replace furniture, equipment, décor, software, wiring, fixtures and signs as necessary to maintain the highest degree of safety and sanitation at the Franchised Business and any parking lot in first class condition and repair and as Franchisor may direct. Not more than once every 5 years, Franchisor may require Franchisee to extensively renovate the Franchised Business at Franchisee's expense to conform to Franchisor's then-current public image and trade dress. This extensive renovation may include structural changes, remodeling and redecorating. Franchisee must also purchase any additional or replacement furniture, indoor and outdoor equipment, software, wiring, fixtures and signs Franchisor specifies.

6.3.7. Franchisee shall fully participate in all required national buying or vendor programs.

6.3.8. Franchisee authorizes the release of all supplier records to Franchisor without notice to Franchisee. Franchisee grants Franchisor the right to communicate with suppliers without notice

to Franchisee, and to obtain and examine all records of any supplier relating to Franchisee's purchases from the supplier.

6.3.9. Franchisee shall follow all methods of operating and maintaining the Franchised Business that Franchisor determines to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and K9 Resorts Businesses.

6.4. **Applicable Laws.** Franchisee shall investigate, keep informed of and comply with all applicable federal, state and local laws, ordinances and regulations regarding the construction, operation or use of the Franchised Business. If these legal requirements impose a greater standard or duty than Franchisor requires in the Confidential Operations Manual or elsewhere, Franchisee must comply with the greater standard or duty and notify Franchisor in writing promptly after Franchisee becomes aware of the discrepancy. Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("Privacy"), and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel as it may request to assist in a determination regarding the most effective way, if any, to meet the standards and policies pertaining to Privacy within the bounds of applicable law.

6.5. **Trade Secrets and Confidential Information.** The System is unique and the Confidential Operations Manual, Franchisor's trade secrets, copyrighted materials, methods and other techniques and know-how are the sole, exclusive and confidential property of Franchisor, and are provided or revealed to Franchisee in confidence ("Confidential Information"). Franchisee agrees to maintain a list of the names, addresses and contact information of all clients of the Franchised Business. The list will be Franchisor's sole and exclusive property and will be part of the Confidential Information. Franchisee agrees to maintain the confidentiality of the list and may not disclose the client list or its contents to any person or entity other than Franchisor, except as may be required by law or court order. Franchisee shall use the Confidential Information only for the purposes and in the manner authorized in writing by Franchisor, and its use shall inure to the benefit of Franchisor. Franchisor's trade secrets consist of, without limitation, (i) site selection, construction plans, architectural plans and design specifications; (ii) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques; (iii) knowledge of specifications for and suppliers of, and methods of ordering, certain products, materials, equipment and supplies; (iv) knowledge of the operating results and financial performance of other K9 Resorts franchisees; (v) the Confidential Operations Manual; (vi) training materials and programs; (vii) proprietary software; (viii) client lists and client data; and (ix) all password-protected portions of Franchisor's website, intranets and extranets and the information they contain (including the email addresses and other contact information of K9 Resorts franchisees). Franchisee shall inform all employees before communicating or divulging any Confidential Information to them of their obligation of confidence. In addition, subject to applicable law, Franchisee shall obtain a written agreement, in form and substance satisfactory to Franchisor, from Franchisee's employees, landlord, contractors, and any other person having access to the Confidential Operations Manual or to whom Franchisee wishes to disclose any Confidential Information, that they shall maintain the confidentiality of the Confidential Information and they shall recognize Franchisor as a third-party beneficiary with the independent right to enforce the covenants either directly in Franchisor's own name as beneficiary or acting as agent. Franchisee hereby appoints Franchisor as its agent with respect to the enforcement of these covenants. An example of a written agreement currently considered satisfactory for employees is the Confidentiality Agreement attached as Exhibit 5(a). Franchisee shall be liable to Franchisor for the actions of any such individuals with respect to the Confidential Information. Spouses of owners must execute the version entitled Confidentiality, Non-Disclosure and Non-Compete Agreement attached as Exhibit 5(b). All executed agreements must be forwarded to Franchisor to ensure compliance. Franchisee shall retain all written Confidentiality Agreements with Franchisee's business records for the time period specified in the Confidential Operations Manual. Franchisee shall enforce all covenants and shall give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge.

Franchisee shall not contest, directly or indirectly, Franchisor's ownership of or right, title or interest

in Franchisor's trade secrets, methods or procedures or contest Franchisor's right to register, use or license others to use any of such trade secrets, methods and procedures. Franchisee, including its officers, directors, shareholders, partners, and employees, and any spouses, heirs, successors and assigns, are prohibited from using and/or disclosing any Confidential Information in any manner other than as permitted by Franchisor in writing.

All data that Franchisee collects from clients of the Franchised Business or through marketing is deemed to be owned exclusively by Franchisor and/or its parent, predecessor or affiliate. Franchisee must install and maintain security measures and devices necessary to protect the client data from unauthorized access or disclosure, and may not sell or disclose to anyone else any personal or aggregated information concerning any clients. Franchisee has the right to use the client data only in connection with the Franchised Business, while the Franchise Agreement is in effect. If Franchisee transfers the Franchised Business to a new owner, who will continue to operate the Franchised Business under an agreement with Franchisor, Franchisee may transfer the client data to the new owner as part of the going concern value of the business.

6.6. **Proprietary Marks.**

6.6.1. **Ownership.** Nothing in this Agreement assigns or grants to Franchisee any right, title or interest in or to the Proprietary Marks, it being understood that all rights relating to the Proprietary Marks are reserved by Franchisor and the owner of the Proprietary Marks who has licensed the Proprietary Marks to Franchisor ("Licensor"), except for Franchisee's license to use the Proprietary Marks only as specifically and expressly provided in this Agreement. Franchisee's use of the Proprietary Marks shall inure to the benefit of Franchisor and its parent, predecessor and affiliate, and Franchisee shall not at any time acquire any rights in the Proprietary Marks. Franchisee may not sublicense the Proprietary Marks. Franchisee shall not challenge the title or rights of Franchisor or its parent, predecessor or affiliate in and to the Proprietary Marks, or do any act to jeopardize or diminish the value of the Proprietary Marks. All goodwill associated with the Proprietary Marks and Franchisor and its parent, predecessor and affiliate's copyrighted material, including any goodwill that might be deemed to have arisen through Franchisee's activities, inures directly and exclusively to the benefit of Franchisor and its parent, predecessor and affiliate. Franchisee shall execute from time to time any and all other or further necessary papers, documents, and assurances to effectuate the intent of this Section 6.6.1 and shall fully cooperate with Franchisor and its parent, predecessor and affiliate any other franchisees of Franchisor in securing all necessary and required consents of any state agency or legal authority to the use of any of the Proprietary Marks. Franchisor reserves the right to add, change or substitute the Proprietary Marks for use in identifying the System and the businesses operating under its System if the current Proprietary Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Proprietary Marks shall be beneficial to the System. Franchisee shall bear the cost and expense of all changes.

6.6.2. **Protection.** Franchisee shall promptly notify Franchisor of any infringement of, or challenge to, the Proprietary Marks, and Franchisor shall in its discretion take the action it deems appropriate. Franchisee must not communicate with any person other than legal counsel and Franchisor in connection with any infringement challenge or claim. Franchisor shall indemnify and hold Franchisee harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from Franchisee's use of the Proprietary Marks in accordance with this Agreement or as otherwise set forth by Franchisor in writing if Franchisee has promptly notified Franchisor of such claim and cooperated in the defense of any claim. If Franchisor undertakes the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, Franchisee agrees to execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, are necessary to carry out such defense or prosecution.

6.6.3. **Advertising.** All advertising shall prominently display the Proprietary Marks and shall comply with any standards for use of the Proprietary Marks established by Franchisor as set forth in the Confidential Operations Manual or otherwise. Franchisor reserves the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. Franchisee shall use the Proprietary Marks, including without limitation trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by this Agreement, the Confidential Operations Manual or by prior written consent of Franchisor.

6.6.4. **Franchisee's Name.** Franchisee agrees not to use the Proprietary Marks or any part of a Proprietary Mark in its corporate name. The corporate and all fictitious names under which Franchisee proposes to do business must be approved in writing by Franchisor before use. Franchisee shall use its corporate name either alone or followed by the initials "D/B/A" and the business name of K9 Resorts. Franchisee shall register at the office of the county in which the Franchised Business is located or such other public office as provided for by the laws of the state in which the Franchised Business is located as doing business under such assumed business name.

6.6.5. **Independent Status.** All stationery, business cards and contractual agreements into which Franchisee enters shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice that Franchisee operates the Franchised Business as an independently owned and operated franchise of Franchisor. Franchisee shall prominently display, by posting a sign within public view on or in the premises of the Franchised Business, a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee.

6.6.6. **Authorized and Unauthorized Use.** At Franchisor's direction, Franchisee shall use the Proprietary Marks in conjunction with the symbol "SM," "TM" or "®", as applicable, in order to indicate the registered or unregistered status of the Proprietary Marks. Franchisee shall not use any of the Proprietary Marks in connection with the offer or sale of any unauthorized products or services or in any other manner not explicitly authorized in writing by Franchisor.

6.6.7. **Franchisor's Use of Marks.** Franchisor, its parent, predecessor and affiliate may use and register the Proprietary Marks as they deem advisable in their discretion including without limitation, developing and establishing other systems using the same or similar Proprietary Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection with the same or similar Proprietary Marks without providing any rights to Franchisee.

6.6.8. **Electronic Mail and Domain Names.** Franchisee shall not use the Proprietary Marks, or any abbreviation, variation or other name associated with the K9 Resorts System or Franchisor as part of any e-mail address, domain name, and/or other identification in any electronic medium, without the prior written approval of Franchisor.

6.7. **Inspection.** At any time, without prior notice, Franchisor or its representatives or agents shall have the right to enter upon the premises of the Franchised Business and shall have unfettered access to the Franchised Business and premises, for any reason, in Franchisor's sole discretion, that Franchisor deems necessary, including, but not limited to the right to inspect Franchisee's records, interview Franchisee's employees and clients, and observe the manner in which Franchisee operates the Franchised Business. Franchisee shall allow Franchisor or its representatives or agents to make extracts from or copies of any records and to take samples of any products sold at the Franchised Business and immediately remove any unauthorized products without any payment or other liability to Franchisee. Franchisee shall allow Franchisor or its representatives or agents to take photographs, videos or any electronic record of the Franchised Business. Franchisor shall have the exclusive right to use any photograph, video, electronic record or other material prepared in connection with an inspection and to identify the Franchised Business and Franchisor shall not have any obligation to obtain further authorization, or to compensate Franchisee in any manner, in connection with the use of these materials for advertising, training or other purposes. Failure or refusal to grant Franchisor unfettered access shall be deemed a non-curable default.

6.8. Changes to the System. Franchisor may, from time to time, change the standards and specifications applicable to operation of the Franchise, including standards and specifications for inventory, products, services, supplies, signs, fixtures, furnishings, technology and equipment, by written notice to Franchisee or through changes in the Confidential Operations Manual. Franchisor also may from time to time eliminate and introduce new services and products. Franchisee shall immediately cease use of any products or cease offering products or services discontinued by Franchisor. Franchisee shall implement any new service or commence offering and selling any new product within 15 days of notification from Franchisor. Franchisee may incur an increased cost to comply with such changes, and Franchisee shall accept and implement such changes at its own expense as if they were part of the K9 Resorts System when this Agreement was executed, including discontinuing or modifying the use of or substituting any of the Proprietary Marks; provided, however, that any such change shall not materially alter Franchisee's fundamental rights under this Agreement.

6.9. Authorized Products, Services, Supplies, and Equipment.

6.9.1. Franchisee shall offer and sell all products and render all services that Franchisor prescribes and only those products and services that Franchisor prescribes. Franchisee may not offer any services of the Franchised Business outside the Franchised Business' premises without express consent from Franchisor. Franchisee shall have the right to suggest new products or other developments to Franchisor for use in Franchisee's and other franchisees' Franchised Businesses. Franchisee shall have no right to offer any products to its clients or use any new developments until Franchisor has had the opportunity to test the new products or developments and provide Franchisee written approval for their use and standards and specifications with respect to their use. All new products and developments relating to pet care, whether they are of Franchisee's original design or variations of existing products or System techniques, shall be deemed works made for hire and Franchisor shall own all rights in them. If these products and developments do not qualify as works made for hire, by signing this Agreement Franchisee assigns to Franchisor ownership of any and all rights in these developments and the goodwill associated with them. Franchisee shall receive no payment or adjustment from Franchisor in connection with any new products or developments.

6.9.2. Franchisee shall use in the operation of the Franchised Business only such products, supplies and equipment as are specified by Franchisor in the Confidential Operations Manual, or otherwise in writing by Franchisor. Franchisee acknowledges and agrees that these may be changed periodically by Franchisor and that Franchisee is obligated to conform to the requirements as so changed.

6.9.3. Franchisor shall have the exclusive right in its sole discretion to vary from the authorized products in establishing the authorized product line for the Franchised Business. Complete and detailed uniformity under many varying conditions may not always be possible or practical and Franchisor reserves the right and privilege, at its sole discretion, to vary not only the products but other standards for any System franchisee based upon the customs or circumstances of a particular site or location, density of population, business potential, population of trade area, existing business practices, or any condition which Franchisor deems to be of importance to the operation of that franchisee's business.

6.9.4. Franchisee shall at all times use and maintain only such products, equipment, supplies and services as Franchisor specifies, which Franchisee shall obtain before opening the Franchised Business. As any products, equipment, supplies or services may become obsolete or inoperable, Franchisee shall replace the same with such products, equipment, supplies and services as are then being used in new K9 Resorts franchises at the time of replacement.

6.9.5. Franchisee acknowledges that Franchisor reserves the right to develop a point of sale (POS) system and a backroom computer system for use in connection with the System. Franchisee shall acquire computer hardware equipment, software, maintenance contracts, telecommunications infrastructure products and credit card processing equipment and support services as Franchisor reasonably requires in connection with the operation of the Franchised Business and all additions, substitutions and upgrades Franchisor shall specify. Franchisee shall have thirty (30) days to comply with any changes to hardware or software. Franchisee's computer system must be able to send and receive

email and attachments on the Internet and provide access to the World Wide Web and otherwise support Franchisor's then-current information technology system. Franchisee must use any K9 Resorts supplied e-mail address in all business communications with customers, vendors or suppliers. Franchisor owns all K9 Resorts e-mail addresses and has full access to all communications sent and received using those addresses. Franchisor shall have the right to access information through the Point of Sale system related to operation of the K9 Resorts Franchised Business, from a remote location, at such times and in such manner as Franchisor shall require, in its sole discretion and shall have the right to disclose the information and data contained therein to a third party and/or the System.

6.9.6. Franchisee acknowledges that the quality and consistency of the products and services offered to Franchisee's clients are essential conditions of this Agreement. Accordingly, Franchisee shall purchase all products, packaging, equipment, and other specified items exclusively in accordance with Franchisor's standards and specifications as provided in Section 6.2. Franchisor is not obligated to approve or consider for approval any item or supplier not specified by it.

6.10. **Pending Actions.** Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, suit or proceeding of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

6.11 **Media.** Franchisee is prohibited from speaking with the media and/or responding to requests for comment, without Franchisor's express written permission. Only Franchisor may handle public relations on behalf of K9 Resorts. Franchisee must notify Franchisor immediately of all customer complaints and of any potential crisis situations involving the Franchised Business, including but not limited to any accident or injury that occurs on the property operated by the Franchised Business, whether to an individual or a pet, and any allegation or occurrence of abuse, neglect or mistreatment to any animal while in Franchisee's care.

6.12 **Customer Service.** Every detail of the quality of client service, client relations, appearance and demeanor of Franchisee and its employees and/or independent contractors, equipment and materials used by Franchisee in the Franchised Business is important to Franchisor and to other K9 Resorts businesses. Franchisee must cooperate with Franchisor by maintaining its high standards in the operation of the Franchised Business and must give prompt, courteous and efficient service to all clients. All work performed by the Franchised Business will be performed competently and in a workmanlike manner. The Franchised Business will in all dealings with its clients, suppliers and the public adhere to the highest standards of honesty, fair dealing and ethical conduct. Any complaints Franchisee receives from a client must be handled by Franchisee or its General Manager. Franchisor may perform customer surveys via any method Franchisor deems appropriate and may require Franchisee to participate in any survey program, at Franchisee's cost.

7. **ACKNOWLEDGMENTS OF FRANCHISEE.**

7.1. **Independent Contractor Status.** Franchisee is an independent contractor, responsible for full control over the management and daily operation of the Franchised Business, and neither Franchisor nor Franchisee is the agent, principal, partner, employee, employer or joint venturer of the other. Franchisee shall not act or represent itself, directly or by implication, as an agent, partner, employee or joint venturer of Franchisor, nor shall Franchisee incur any obligation on behalf of or in the name of Franchisor.

7.2. **Indemnification.** Franchisee shall defend, indemnify and hold Franchisor and its parents, predecessors, affiliates, and any of its/their respective officers, directors, managers, members, partners, shareholders, independent contractors and employees (the "Indemnified Parties") harmless from all fines, suits, proceedings, claims, demands, liabilities, injuries, damages, expenses, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising in whole or in part from Franchisee's ownership, operation or occupation of the Franchised Business, performance or breach of its obligations under this Agreement, breach of any warranty or representation in this Agreement or from the acts or omissions of Franchisee, its employees or agents, including its advertising of the Franchised Business,

except as otherwise provided in this Agreement. Franchisor and any Indemnified Party shall promptly give Franchisee written notice of any claim for indemnification under this Section 7.2. Any failure to give the notice shall not relieve Franchisee of any liability under this Agreement except to the extent the failure or delay causes actual material prejudice. Franchisor shall have the right to control all litigation and defend and/or settle any claim against Franchisor or other Indemnified Parties affecting Franchisor's interests, in any manner Franchisor deems appropriate. Franchisor may also retain its own counsel to represent Franchisor or other Indemnified Parties and Franchisee shall either advance or reimburse Franchisor's costs, at Franchisor's discretion. Franchisor's exercise of this control over the litigation shall not affect its rights to indemnification under this Section 7.2. Franchisee may not consent to the entry of judgment with respect to, or otherwise settle, an indemnified claim without the prior written consent of the applicable Indemnified Parties. Franchisor and the other Indemnified Parties do not have to seek recovery from third parties or otherwise attempt to mitigate losses to maintain a claim to indemnification under this Section 7.2. The provisions of this Section 7.2 shall survive the termination or expiration of this Agreement.

7.3. Payment of Debts. Franchisee understands that it alone, and not Franchisor, is responsible for selecting, retaining and paying its employees; the payment of all invoices for the purchase of inventory and goods and services for use in the Franchised Business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct and operation of the Franchised Business.

7.4. Noncompetition.

7.4.1. During the Term of This Agreement. During the term of this Agreement, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business which offers dog daycare or boarding (a "Competing Business"); provided, however, that this Section shall not apply to Franchisee's operation of any other Franchised Business.

During the term of this Agreement, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from clients of Franchisee's Franchised Business for any competitive business purpose.

During the term of this Agreement, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

7.4.2. After the Term of This Agreement. For a period of 2 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any spouse Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any Competing Business within a radius of 5 miles (as the crow flies) of the Franchised Business, or any other K9 Resorts business in operation or under construction, or of any site for which Franchisee has knowledge that a lease has been signed or discussions are under way for a K9 Resorts business; provided, however, Franchisee may continue to operate any other Franchised Business for which Franchisee and Franchisor have a current franchise agreement.

For a period of 2 years (or the maximum period allowed by law, if shorter) after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from clients of Franchisee's former Franchised Business for any competitive business purpose nor solicit any employee of Franchisor or any other K9 Resorts System franchisee to discontinue his employment with

Franchisor or any other System franchisee.

For a period of 2 years (or the maximum period allowed by law, if shorter) after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

7.4.3. Intent and Enforcement. It is the intent of the parties that the provisions of this Section 7.4 shall, to the fullest extent permissible under applicable law, be judicially enforced; accordingly, any reduction in scope or modification of any part of the noncompetition provisions contained in this Agreement shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 7.4 by Franchisee, any of its equity owners or any spouse of Franchisee or any of its equity owners, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. In the event of the actual or threatened breach of this Section 7.4, Franchisor's harm shall be irreparable and Franchisor shall have no adequate remedy at law to prevent the harm. Franchisee acknowledges and agrees on its own behalf and on behalf of the persons who are liable under Section 7.4 that each has previously worked or been gainfully employed in other fields and that the provisions of Section 7.4 in no way prevent any of these persons from earning a living. Franchisee further acknowledges and agrees that the provisions of Section 7.4 shall be tolled during any default of this Agreement.

7.4.4. Publicly-Owned Entity. This Section 7.4 shall not apply to any ownership by Franchisee or any other person subject to Section 7.4 of a beneficial interest of less than 3% in the outstanding securities or partnership interests in any publicly-held entity.

7.4.5. Non-Disparagement. During the term of this Agreement and for a period of 2 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause Franchisee agrees not to disparage Franchisor and its current and former employees, officers or directors. During the term of the Agreement, Franchisee also agrees not to do or perform any act harmful, prejudicial or injurious to Franchisor or the K9 Resorts System.

7.5. Telephone. Franchisee shall obtain at its own expense a new telephone number and listing, to be listed under the K9 Resorts name and not under Franchisee's corporate, partnership, or individual name, to be used exclusively in connection with Franchisee's operation of the Franchised Business. Upon the expiration and nonrenewal, transfer or termination of this Agreement for any reason, Franchisee shall terminate its use of such telephone number and listing and assign same to Franchisor or its designee and Franchisee shall execute Franchisor's form of Telephone, Internet Websites and Listings Agreement (a copy of Franchisor's current form is attached as Exhibit 10). The Franchised Business shall be serviced by a suitable telephone system approved by Franchisor. Franchisee shall answer the telephone in the manner set forth by Franchisor in the Confidential Operations Manual.

7.6. Insurance. At all times during the term of this Agreement and at its own expense, Franchisee shall obtain and keep in force at a minimum the insurance required by Franchisor in the Confidential Operations Manual or otherwise. If the lease for the Franchised Business requires Franchisee to purchase insurance with higher limits than those Franchisor specifies, the lease insurance requirements shall control. All insurance policies shall contain a separate endorsement using ISO form CG2029 or equivalent (no blanket additional insured language is acceptable) naming Franchisor, its officers, directors, managers, members, limited partners, general partners, shareholders, parents, affiliates, independent contractors and employees as additional insureds, and shall expressly provide that any interest of an additional insured shall not be affected by Franchisee's breach of any policy provisions or any negligence on the part of an additional insured. All policies shall also include a waiver of subrogation in favor of the additional insureds. All insurance must be written by an insurance carrier with an A. M. Best and Standard and Poor's rating of at least "A-" or better. All policies shall be written by an insurance carrier accepted in writing by Franchisor. Franchisor may require that Franchisee obtain coverage from a carrier it designates. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or

guarantee that the insurance carrier shall remain a going concern or capable of meeting claim demands during the term of the insurance policy. Defense costs cannot erode policy limits. No insurance policy shall be subject to cancellation, termination, nonrenewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to Franchisor. Upon Franchisor's request, Franchisee shall provide Franchisor with a currently issued certificate of insurance evidencing coverage in conformity with the provisions of this Section 7.6. If Franchisee fails to comply with at least the minimum insurance requirements set forth by Franchisor, Franchisor may obtain the insurance and keep the insurance in force and effect and Franchisee shall pay Franchisor, on demand, the cost of the premium plus Franchisor's then-current administrative fee in connection with obtaining the insurance. Franchisor may increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to Franchisee, and Franchisee shall comply with any such modification. Franchisee's obligation to obtain the required policies in the amounts specified is not limited in any way by any insurance Franchisor maintains. Franchisee's obligation to maintain the insurance does not relieve Franchisee of any liability under the indemnity provisions of Section 7.2. If Franchisee will be engaging in any construction, renovation or build-out of the premises for the Franchised Business, either Franchisee or Franchisee's third party contractor must have in force for the duration of said project, Commercial General Liability insurance and Worker's Compensation and Employer's Liability insurance in the amounts listed above as well as Builder's Risk insurance in an amount approved by Franchisor.

7.7. **Publicity.** Franchisee shall permit Franchisor or its designee, at Franchisor's expense, to enter upon the premises of the Franchised Business, both interior and exterior, for the purpose of taking or making photographs, slides, drawings, or other such images ("pictures") of the Franchised Business. Franchisee agrees that Franchisor may use the pictures for publicity and other legal purposes without any remuneration to Franchisee in connection with the use of the pictures. Franchisor also reserves the right to require Franchisee to place a "franchises available" sign at a location Franchisor designates at the Franchised Business.

7.8. **Distribution.** Franchisor or its affiliates may distribute products identified by the Proprietary Marks or other marks owned or licensed by Franchisor or its affiliates through any distribution method which periodically may be established or licensed by Franchisor or its affiliates and may franchise or license others to do so, except as otherwise set forth in this Agreement.

7.9. **Image.** The K9 Resorts System has been developed to deliver products and services which distinguish K9 Resorts businesses from other businesses which offer similar products and services. Therefore, Franchisor requires Franchisee to offer products and services and operate the Franchised Business in such a manner which shall serve to emulate and enhance the image intended by Franchisor for the K9 Resorts System. Each aspect of the K9 Resorts System is important not only to Franchisee but also Franchisor, its parent, predecessor and affiliate, and other K9 Resorts franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by K9 Resorts System franchisees, Franchisor and its parent, predecessor and affiliate. Franchisee shall comply with the standards, specifications and requirements set forth by Franchisor in order to uniformly convey the distinctive image of a K9 Resorts business.

8. **SALE OR TRANSFER**

8.1. **Consent to Transfer.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber its interest in the Franchised Business without the prior written consent of Franchisor. Any unauthorized transfer by Franchisee shall constitute a material breach of the Agreement and shall be voidable by Franchisor.

8.2. **Death or Disability.** In the event of the death, disability or incapacity of any individual Franchisee or officer or director or member of an incorporated Franchisee or limited liability company or partner of a partnership Franchisee, should the decedent's or disabled or incapacitated person's executor, heir or legal representative, or the business entity, as the case may be, wish to continue as Franchisee under this Agreement, such person shall apply for Franchisor's consent, execute the then-current franchise agreement, and complete the training program to Franchisor's satisfaction, as applicable, as in any other

case of a proposed transfer of Franchisee's interest in this Agreement. Such assignment by operation of law shall not be deemed a violation of this Agreement, provided the heirs or legatees or business entity meet the conditions imposed by this Agreement and are acceptable to Franchisor.

If Franchisee is a business entity, this Agreement shall continue in effect upon the death of the largest equity owner, provided that the active management of the business entity shall remain stable and reasonably satisfactory to Franchisor in its sole discretion.

Franchisee's executor, heir or legal representative shall have 60 days from the date of death, disability or incapacity to designate an operator that is acceptable to Franchisor and within 90 days must execute Franchisor's then-current franchise agreement or transfer the franchise rights and business upon the terms and conditions set forth in this Agreement (except that the term shall be the balance of Franchisee's term). At the conclusion of the balance of the term, the new franchisee may exercise any or all of the then applicable renewal rights.

8.3. Ownership Changes. A sale, transfer or assignment requiring the prior written consent of Franchisor shall be deemed to occur: (i) if Franchisee is a corporation or limited liability company, upon any assignment, sale, pledge or transfer of any of the voting stock or membership interests of Franchisee; or (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any partnership ownership. Franchisee shall notify Franchisor of any change in stock ownership, membership interests or partnership ownership interests in Franchisee while this Agreement is in effect which shall result in a sale, transfer or assignment within the meaning of this Section 8.3. A transfer to an existing partner, shareholder or member, or a transfer as a result of the death, disability or incapacity of a partner, shareholder or member in accordance with Section 8.2, or a transfer to an inter vivos trust where the transferring Franchisee, partner, shareholder or member is the only grantor beneficiary other than a spouse, shall not be a violation of this Agreement or a ground for termination; any such ownership change shall not be subject to Franchisor's right of first refusal under Section 8.3.1.

8.3.1. Right of First Refusal. If Franchisee or its equity owners propose to transfer or assign 20% or more of Franchisee's interest in this Agreement or in the business conducted under this Agreement or in Franchisee, if Franchisee is a business entity, to any third party (other than a business entity as set forth in Section 8.4 and except as otherwise set forth in Section 8.3) in connection with a bona fide offer from such third party, Franchisee or its equity owners shall first offer to sell to Franchisor, Franchisee's or its equity owners' offered interest. Franchisee or its equity owner shall obtain from the third party offeror an earnest money deposit (of at least 15% of the offering price) and deliver to Franchisor a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. In the event of Franchisee's insolvency or the filing of any petition by or against Franchisee under any provisions of any bankruptcy or insolvency law, an amount and terms of purchase shall be established by an appraiser chosen by the bankruptcy court or by the chief judge of the federal district court of Franchisee's district and Franchisee or Franchisee's legal representative shall deliver to Franchisor a statement in writing incorporating the appraiser's report. Franchisor shall then have 45 days from its receipt of either statement to accept the offer by delivering written notice of acceptance by Franchisor or its nominee to Franchisee or its equity owner. The acceptance shall be on the same terms as stated in the statement delivered to Franchisor; provided, however, Franchisor or its nominee shall have the right to substitute equivalent cash for any noncash consideration included in the offer. If the parties cannot agree within a reasonable time on the equivalent cash for any noncash consideration, Franchisor shall designate an independent appraiser and the appraiser's determination shall be binding. If Franchisor or its nominee elects not to accept the offer within the 45 day period, Franchisee or its equity owner shall be free for 90 days after such period to complete the transfer described in the statement delivered to Franchisor, but only with the prior written consent of Franchisor and subject to the conditions for approval set forth in Section 8.3.2. Franchisee and its equity owners shall affect no other sale or transfer of this Agreement or Franchisee's interest in this Agreement or the business conducted under this Agreement or the interest in Franchisee, without first offering or reoffering the same to Franchisor in accordance with this Section 8. If in Franchisor's opinion there is a material change in the terms of the offer, the offer shall be deemed a new proposal and Franchisee or its equity owner shall be required to grant Franchisor or its nominee a right of first refusal with respect to such offer.

8.3.2. **Conditions for Approval.** Franchisor may condition its approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or of the interest in Franchisee upon satisfaction of the following requirements:

8.3.2.1. All of Franchisee's accrued monetary obligations to Franchisor, its parent, predecessor or affiliate and any supplier for the Franchised Business have been satisfied;

8.3.2.2. All existing defaults under the Franchise Agreement have been cured within the period permitted for cure;

8.3.2.3. Franchisee and its equity owners, if Franchisee is a business entity, has executed a general release under seal, in a form satisfactory to Franchisor of any and all claims against Franchisor and its parent, predecessor and affiliate and their officers, directors, partners, shareholders, agents, employees, attorneys and accountants in their corporate and individual capacities; provided, however, the release shall not release any liability specifically provided for by any applicable state statute regulating franchising;

8.3.2.4. Franchisee has provided Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules;

8.3.2.5. The transferee has demonstrated to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations of this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business, chain or network which is similar in nature or in competition with Franchisor or any K9 Resorts business, except that the transferee may be an existing franchisee of Franchisor;

8.3.2.6. The transferee has executed Franchisor's then-current Franchise Agreement for the remainder of the term of the current franchise agreement;

8.3.2.7. Franchisee has complied, to Franchisor's satisfaction, or Franchisee or the transferee have agreed to comply with and have made arrangements satisfactory to the Franchisor to comply with all obligations to remodel, refurbish, and improve the Franchised Business as required by this Agreement to conform to Franchisor's then-current standards and trade dress;

8.3.2.8. Franchisee or transferee has paid Franchisor a transfer fee equal to \$7,500;

8.3.2.9. The transferee or the Operating Principal, its General Manager and its Assistant Manager (if applicable) shall complete Franchisor's training program to Franchisor's satisfaction at the transferee's own expense within the time frame set forth by Franchisor; and

8.3.2.10. Franchisee acknowledges and agrees that the post-termination provisions of this Agreement including, without limitation, the non-competition provisions, shall survive the transfer of the Franchised Business.

8.3.2.11. Franchisor, Franchisee, Transferee and any Guarantors enter into Franchisor's then-current form of Transfer Agreement. Franchisor's current form of Transfer Agreement is attached hereto and Exhibit 8.

8.4. **Transfer to a Corporation or Limited Liability Company.** If Franchisee is one or more individuals or a partnership, Franchisee may assign its rights under this Agreement to a corporation or limited liability company for convenience of ownership, provided:

8.4.1. The corporation or limited liability corporation is newly organized and its activities are confined to operating the Franchised Business;

8.4.2. Franchisee is, and at all times remains, the owner of at least 51% of the outstanding shares of the corporation or owns a controlling interest in the limited liability company;

8.4.3. The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations under this Agreement in a form acceptable to Franchisor (a copy of Franchisor's current form agreement is attached as Exhibit 9);

8.4.4. All stockholders of the corporation, or members and managers of the limited liability company, and any spouses, personally guarantee prompt payment and performance by the corporation or limited liability company, as applicable, of all its obligations to Franchisor under the Agreement and agree to all covenants, including all non-competition covenants set forth in Section 7.4;

8.4.5. Each stock certificate of the corporate franchisee shall have conspicuously endorsed upon its face a statement, in a form satisfactory to Franchisor, that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; the operating agreement of any limited liability company and any membership certificates shall contain a similar limitation; and

8.4.6. Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization; and all other governing documents.

Franchisee is not required to pay Franchisor a transfer fee with respect to a transfer in accordance with this Section 8.4. However, Franchisee shall pay Franchisor's expenses in connection with a transfer under this Section 8.4 if Franchisee has not completed the transfer, including complying with this Section 8, as applicable, within 60 days following the execution of this Agreement but in no event later than the opening of the Franchised Business.

8.5. Secured Interests and Securities.

8.5.1. Franchisee shall not grant, and shall not permit a transfer in the nature of a grant, of a security interest in this Agreement.

8.5.2. If Franchisee is a corporation, it shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 8 and shall issue no such securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Franchise Agreement between [Franchisor] and the corporation dated _____, 20____. Reference is made to the Franchise Agreement and to the Articles of Incorporation and Bylaws of this corporation.

8.6. **Transfer by Franchisor.** Franchisor may sell, transfer, assign and/or encumber all or any part of its interest in itself or the Franchise Agreement.

9. BREACH AND TERMINATION

9.1. **Termination by Franchisee.** Franchisee may terminate this Agreement for cause if Franchisor is in breach of any material provision of this Agreement, by giving Franchisor written notice

within 60 days of the event or circumstances giving rise to the breach. Franchisee must be in material compliance with this Agreement. The notice shall state specifically the nature of the breach and allow Franchisor 90 days after receipt of the notice to correct the breach. Franchisee's failure to give timely written notice of any breach shall be deemed to be a waiver of Franchisee's right to complain of that breach. If Franchisor fails to cure any material breach within the 90 day cure period, Franchisee may terminate this Agreement for that reason by providing written notice to Franchisor, except if the breach is not susceptible to cure within 90 days, but Franchisor takes action within 90 days to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisor shall be deemed to have timely cured the breach. Franchisee's termination will be effective only if Franchisee signs all documentation that Franchisor requires, including a release. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

9.2. Termination by Franchisor. If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers a notice of termination, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an approved supplier. Franchisor may terminate this Agreement under the following circumstances:

9.2.1. With Cause and With Opportunity to Cure. If Franchisee is in breach of any material provision of this Agreement not listed in Section 9.2.2, by giving Franchisee written notice of the event or circumstances giving rise to the breach. The notice will state specifically the nature of the breach and allow Franchisee the following amount of time to correct the breach after receipt of notice:

- (i) 7 days if the failure relates to the use of the Proprietary Marks;
- (ii) 15 days if the failure relates to Franchisee's failure to make any payment of money to Franchisor or its parent, predecessor or affiliate; and
- (iii) 30 days if the failure relates to any other breach not listed in this Section 9.2.1 or in Section 9.2.2.

If Franchisee fails to cure any material breach within the applicable cure period, Franchisor may terminate this Agreement for that reason by providing written notice to Franchisee, except if the breach is not susceptible to cure within the time permitted, but Franchisee takes action within the time permitted to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisee shall be deemed to have timely cured the breach. For purposes of this Agreement, Franchisee's alleged breach of this Agreement shall be deemed cured if both Franchisor and Franchisee agree in writing that the alleged breach has been corrected. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

9.2.2. With Cause and Without Opportunity to Cure. Franchisor may terminate this Agreement upon written notice without giving Franchisee opportunity to cure for any of the following breaches or defaults:

(i) **Criminal Acts.** If Franchisee or any owner of Franchisee is convicted of or pleads guilty or no contest to a felony or commits any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the Franchised Business or goodwill of the Proprietary Marks.

(ii) **Fraud.** If Franchisee or any owner of Franchisee commits fraud in the operation of the Franchised Business.

(iii) **Misrepresentation.** If Franchisee or any owner of Franchisee misrepresents anything in any way (including through omission of information) in connection with the franchise application.

(iv) **Voluntary Bankruptcy.** If Franchisee or any owner of Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt

or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.

(v) **Involuntary Bankruptcy.** If proceedings are commenced to have Franchisee or any owner of Franchisee adjudicated as bankrupt or to seek a reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within 60 days.

(vi) **Liens.** If a levy or writ of attachment or execution or any other lien is placed against Franchisee, any partner of Franchisee if Franchisee is a partnership, or any guarantor of Franchisee under Section 14 or any of their assets which is not released or bonded against within 60 days.

(vii) **Insolvency.** If Franchisee, any partner of Franchisee, or the majority equity owner of Franchisee is insolvent.

(viii) **Repeated Breaches.** If Franchisor sends Franchisee 3 or more written notices to cure any default in any 12 month period.

(ix) **Breach of Other Agreements.** If Franchisee or any owner of Franchisee materially breaches any other agreement with: Franchisor, its parent, predecessor or affiliate; any approved or required vendor of Franchisor; or any lease for the premises of the Franchised Business, and does not cure the breach within any permitted period for cure; provided, however, other than breaches involving vendors, this Section 9.2.2(ix) shall not apply to the breach of a separate franchise agreement between Franchisee and Franchisor with respect to another Franchised Business.

(x) **Intentional Underreporting or Misstatement.** If Franchisee or any owner intentionally underreports or misstates any information required to be reported to Franchisor under this Agreement, including but not limited to Gross Revenues required to be reported under this Agreement.

(xi) **Abandonment.** If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" means conduct of Franchisee which indicates a desire or intent to discontinue the Franchised Business in accordance with the terms of this Agreement and shall apply in any event if Franchisee fails to operate the Franchised Business as a K9 Resorts business for a period of 3 or more consecutive days without the prior written approval of Franchisor.

(xii) **Failure to Open Franchised Business.** If Franchisee fails to open the Franchised Business during the time periods set forth in this Agreement.

(xiii) **Public Health and Safety.** If a threat or danger to public health or safety results from the maintenance or operation of the Franchised Business or any violation of health or safety law occurs at the Franchised Business.

(xiv) **Restrictive Covenants.** Upon any violation of any covenants set forth in Section 7.4 of this Agreement.

(xv) **Confidential Information.** If Franchisee or any owner or spouse of Franchisee uses the Confidential Information in an unauthorized manner.

(xvi) **Insurance.** If Franchisee fails to maintain required insurance coverage.

(xvii) **Unauthorized Transfer.** If a transfer occurs without meeting the requirements set forth in Section 8 of this Agreement.

(xviii) **Failure to Provide Access.** If Franchisee fails or refuses to permit

Franchisor unfettered access to the Franchised Business premises.

(xix) **Loss of Occupancy.** If Franchisee loses the right to occupy the Franchised Business premises.

(xx) **Unauthorized Opening.** If Franchisee opens the Franchised Business without obtaining authorization to open.

9.3. **Nonwaiver.** Franchisor's delay in exercising or failure to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due under this Agreement or any other agreement between Franchisor and Franchisee or Franchisor's consent to a transfer of any interest in Franchisee shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

10. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

10.1. **Franchisee's Obligations.** Upon termination of this Agreement by either Franchisor or Franchisee, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, Franchisee shall:

10.1.1. Cease immediately all operations under this Agreement;

10.1.2. Pay immediately to Franchisor all unpaid fees and pay Franchisor, its parent, predecessor or affiliate and any supplier for the Franchised Business all other monies owed them;

10.1.3. Discontinue immediately the use of the Proprietary Marks;

10.1.4. Immediately return the Confidential Operations Manual to Franchisor and all other manuals and Confidential Information loaned to Franchisee by Franchisor and immediately cease to use the Confidential Information;

10.1.5. Immediately cease using all telephone numbers and listings used in connection with the operation of the Franchised Business and direct the telephone company to transfer all such numbers and listings to Franchisor or its designee or, if Franchisor so directs, to disconnect the numbers;

10.1.6. Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as directed by Franchisor and all items which are a part of the trade dress of the K9 Resorts System;

10.1.7. Sell to Franchisor or its designee, at Franchisor's option, (i) all inventory in useable form bearing the Proprietary Marks and (ii) any furnishings, equipment, seating, tables, desks signs or fixtures Franchisor elects to purchase at the original purchase price thereof or at its then-current value if less than the original purchase price, in Franchisor's judgment, within 15 days following the date of termination or expiration;

10.1.8. If Franchisor elects to assume Franchisee's lease, immediately vacate the premises or, if Franchisor does not elect, immediately change the appearance of the premises inside and outside, including trade dress, signs, furnishings and fixtures, so that they no longer resemble an K9 Resorts business and to protect the Proprietary Marks, including any changes Franchisor specifically requests. If Franchisee fails to make the modifications or alterations, Franchisor will have the right to re-enter the premises and do so and charge Franchisee its costs plus a reasonable administrative fee in its sole discretion;

10.1.9. Cease to hold itself out as a franchisee of Franchisor;

10.1.10. Take action necessary to amend or cancel any assumed name, business

name or equivalent registration which contains any trade name or other Proprietary Mark licensed by Franchisor and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement;

10.1.11. Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within 6 months of the effective date of termination, expiration, or transfer; and

10.1.12. Comply with the post-termination covenants set forth in Section 7.4, all of which shall survive the transfer, termination or expiration of this Agreement.

10.2. **Power of Attorney.** Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to discontinue Franchisee's use of the Proprietary Marks and the Confidential Information.

11. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be either personally delivered; sent by nationally recognized overnight courier (Ex: FedEx); sent by certified or registered mail, return receipt requested; or sent by email (provided that the sender also sends a copy by certified or registered mail or recognized overnight courier contemporaneously) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party. Notwithstanding the foregoing, Franchisee's knowledge of a change in Franchisor's principal place of business shall be deemed adequate designation of a change and notice shall be sent to Franchisor's new address.

Franchisee: _____

Franchisor: 43 South Ave.
Fanwood, NJ 07023

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of email, upon confirmation of receipt (or confirmation of delivery via contemporaneous methods required above, whichever occurs first) or, in the case of overnight courier, on the next business day after mailing, or in the case of registered or certified mail, three (3) business days after the date and time of mailing.

12. INTERPRETATION

12.1. **Amendments.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM ANY INFORMATION CONTAINED IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.

12.2. **Choice of Law and Selection of Venue.** This Agreement shall be governed by the laws of the State of New Jersey. Except as provided in Section 12.3 and 12.4 below, any action at law or equity instituted against either party to this Agreement shall be commenced only in the Courts of the then-current County and State where Franchisor's corporate headquarters is located. Franchisee hereby irrevocably consents to the personal jurisdiction of the courts in the then-current County and State where Franchisor's corporate headquarters is located, as set forth above. Any action or proceeding under this Agreement shall be brought on an individual basis, and not on a class-wide or multiple plaintiff basis or as an action where any party hereto acts in a representative capacity, unless prohibited by law.

12.3. **Injunctive Relief.** Nothing in this Agreement shall prevent Franchisor from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and

preliminary and permanent injunctions.

12.4. **Arbitration.** Except as set forth in Section 12.3 above, disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, will be submitted to arbitration at the office of the American Arbitration Association (“AAA”) responsible for administering claims filed in the then-current County and State where Franchisor’s corporate headquarters is located, in accordance with the Commercial Arbitration Rules of the AAA to the extent such rules are not inconsistent with the provisions of this arbitration provision. The Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the law of the state of New Jersey shall apply. The statute of limitations of the state of New Jersey shall be strictly enforced.

The following shall supplement and, in the event of a conflict, shall govern any dispute submitted to arbitration. The parties shall select one arbitrator from the panel provided by the AAA. In selecting the arbitrator from the list provided by the AAA, the Franchisor and Franchisee shall make the selection by the striking method. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator’s fee, attorneys’ fees, interest, and costs of investigation.

The arbitrator shall have no authority to amend or modify the terms of the Agreement, except as provided for herein. The Franchisor and Franchisee further agree that, unless such a limitation is prohibited by applicable law, neither the Franchisor nor Franchisee shall be liable for punitive or exemplary damages, and the arbitrator shall have no authority to award the same. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Franchisor and Franchisee. Judgment upon the award of the arbitrator may be submitted for confirmation to the applicable United States District Court or the Courts of the then-current County and State where Franchisor’s corporate headquarters is located, and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

12.5. **Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

12.6. **Successors.** References to Franchisor or Franchisee include their successors, assigns or transferees, subject to the limitations of this Agreement.

12.7. **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or its parent, predecessor or affiliate or protection of the Proprietary Marks, or the Confidential Information, including the Confidential Operations Manual and Franchisor’s other trade secrets, is declared invalid or unenforceable, then Franchisor at its option may terminate this Agreement immediately upon written notice to Franchisee.

12.8. **No Right to Offset.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or its parent, predecessor or affiliate or as an offset against any amount Franchisor or any of its parent, predecessor or affiliate may owe or allegedly owe Franchisee under this Agreement or any related agreements.

12.9. **Force Majeure.** Neither Franchisor, its parent, predecessor or affiliate nor Franchisee

shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause shall extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or shall excuse performance, in whole or in part, as Franchisor deems reasonable.

12.10. **Rights Cumulative.** No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided by law or and equity. Each right and remedy will be cumulative.

12.11. **PARTIES. THE SOLE ENTITY AGAINST WHICH FRANCHISEE MAY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY FOR ANY CLAIM IS FRANCHISOR OR ITS SUCCESSORS OR ASSIGNS. THE SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF FRANCHISOR AND OF ITS PARENT, PREDECESSOR OR AFFILIATES SHALL NOT BE NAMED AS A PARTY IN ANY LITIGATION, ARBITRATION OR OTHER PROCEEDINGS COMMENCED BY FRANCHISEE IF THE CLAIM ARISES OUT OF OR RELATES TO THIS AGREEMENT.**

12.12. **LIMITATION OF LIABILITY. TO THE EXTENT PERMITTED BY LAW, IN NO EVENT SHALL FRANCHISOR BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER DAMAGES THAT ARE NOT DIRECT DAMAGES, REGARDLESS OF THE NATURE OF THE CLAIM FOR DAMAGES.**

12.13. **JURY TRIAL WAIVER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, WAIVE ANY RIGHT EITHER MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.**

12.14. **FRANCHISOR APPROVAL AND DISCRETION. TO THE EXTENT THAT FRANCHISOR'S CONSENT OR APPROVAL IS REQUIRED OR ANY DECISION IS SUBJECT TO THE DISCRETION OF THE FRANCHISOR, AND WHENEVER FRANCHISOR EXERCISES A RIGHT, PRESCRIBES AN ACT OR THING, OR OTHERWISE MAKES A CHOICE OR USES DISCRETION, THE PARTIES AGREE THAT FRANCHISOR HAS THE WHOLLY UNRESTRICTED RIGHT TO MAKE DECISIONS AND/OR TAKE (OR REFRAIN FROM TAKING) ACTIONS. FRANCHISOR WILL NOT BE REQUIRED TO CONSIDER FRANCHISEE'S INDIVIDUAL INTERESTS OR THE INTERESTS OF ANY OTHER PARTICULAR FRANCHISEE(S), EVEN IF A PARTICULAR DECISION/ACTION MAY HAVE NEGATIVE CONSEQUENCES FOR FRANCHISEE, A PARTICULAR FRANCHISEE OR GROUP OF FRANCHISEES.**

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE ULTIMATE DECISION-MAKING RESPONSIBILITY WITH RESPECT TO THE SYSTEM (AMONG OTHER THINGS) MUST BE, AS A PRACTICAL BUSINESS MATTER, VESTED SOLELY IN FRANCHISOR, SINCE FRANCHISEE, FRANCHISOR AND ALL OTHER FRANCHISEES HAVE A COLLECTIVE INTEREST IN WORKING WITHIN A FRANCHISE SYSTEM WITH THE UNRESTRICTED FLEXIBILITY TO QUICKLY ADJUST TO CHANGING BUSINESS CONDITIONS, INCLUDING COMPETITIVE CHALLENGES, NEW REGULATORY DEVELOPMENTS AND EMERGING BUSINESS OPPORTUNITIES. FRANCHISEE UNDERSTANDS AND AGREES THAT FRANCHISOR HAVING SUCH RIGHTS ARE CRITICAL TO ITS ROLE AS FRANCHISOR AND TO OBTAIN THE PARTIES GOALS FOR CONTINUING IMPROVEMENT OF THE K9 RESORTS SYSTEM.

12.15. **Execution.** This Agreement becomes valid when signed and accepted by Franchisor. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or

electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

13. REPRESENTATIONS

13.1. RECEIPT. THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST 7 CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF FRANCHISOR'S UNIFORM FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR, REFUNDABLE OR OTHERWISE.

13.2. EXECUTION OF AGREEMENT. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF THE BUSINESS ENTITY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER, OFFICER, MEMBER OR MANAGER, THAT ALL OF THE EQUITY OWNERS OF FRANCHISEE, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE BUSINESS ENTITY.

13.3. ANTI-TERRORISM LAW COMPLIANCE. FRANCHISEE AND ITS EQUITY OWNERS AGREE TO COMPLY WITH, AND TO ASSIST FRANCHISOR, TO THE FULLEST EXTENT POSSIBLE IN FRANCHISOR'S EFFORTS TO COMPLY WITH ANTI-TERRORISM LAWS (DEFINED BELOW). IN CONNECTION WITH THAT COMPLIANCE, FRANCHISEE, AND ITS OWNERS CERTIFY, WARRANT AND REPRESENT THAT NONE OF FRANCHISEE'S, OR ITS EQUITY OWNER'S PROPERTY, OR INTERESTS ARE SUBJECT TO BEING BLOCKED UNDER ANY ANTI-TERRORISM LAWS, AND THAT FRANCHISEE AND ITS OWNERS OTHERWISE ARE NOT IN VIOLATION OF ANY ANTI-TERRORISM LAWS. "ANTI-TERRORISM LAWS" MEANS EXECUTIVE ORDER 13224 ISSUED BY THE PRESIDENT OF THE UNITED STATES, THE USA PATRIOT ACT, AND ALL OTHER PRESENT AND FUTURE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, REGULATIONS, POLICIES, LISTS AND OTHER REQUIREMENTS OF ANY GOVERNMENTAL AUTHORITY ADDRESSING OR IN ANY WAY RELATING TO TERRORIST ACTS AND ACTS OF WAR. FRANCHISEE SHALL IMMEDIATELY NOTIFY FRANCHISOR OF ANY MISREPRESENTATION OR BREACH OF THIS SECTION

14. PERSONAL GUARANTEES

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, all shareholders, all general partners or all members and managers, respectively, hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of Franchisee's monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. In addition, all personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and non-renewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All personal guarantors shall execute a continuing personal guaranty in the form attached as Exhibit 3.

15. OWNERSHIP OF FRANCHISEE

The Statement of Ownership Interest attached to this Agreement as Exhibit 2 completely and accurately describes all of the equity owners and their interests in Franchisee and Franchisee's Operating Principal. Subject to Franchisor's rights and Franchisee's obligations under Section 8, Franchisee agrees to sign and deliver to Franchisor a revised Statement of Ownership Interest to reflect any permitted changes in the

information that Exhibit 2 now contains. Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) any transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) any limited liability company's certificate of organization or formation, the Operating Agreement and all other governing documents. If Franchisee is an entity, it must be a single purpose entity and cannot operate any other business using the entity name.

INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE AS OF THE DATE EXECUTED BY FRANCHISOR BELOW.

(FRANCHISEE)

By: _____

K-9 FRANCHISING, LLC

By: _____

**EXHIBIT 1 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

Luxury Pet Hotel _____ Boutique Pet Hotel _____

The Franchise Agreement (the "Agreement") between K-9 Franchising, LLC ("Franchisor") and _____ ("Franchisee") authorizes and obliges Franchisee to search for a site in the following Search Area and to open a Franchised Business in the following Approved Location and Protected Area:

SEARCH AREA, APPROVED LOCATION AND PROTECTED AREA

1. **SEARCH AREA**

Pursuant to Section 3.2 of the Franchise Agreement, the non-exclusive search area for locating a site for the Franchised Business shall be as follows:

2. **APPROVED LOCATION**

Pursuant to Section 3.1 of the Franchise Agreement, the Franchised Business shall be located at the following Approved Location:

3. **PROTECTED AREA**

Pursuant to Section 1.2 of the Franchise Agreement, the Protected Area shall be:

(FRANCHISEE)

By: _____

DATED: _____

K-9 FRANCHISING, LLC (FRANCHISOR)

By: _____
JASON PARKER, CEO

DATED: _____

**EXHIBIT 2 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

Statement of Ownership Interest

Franchisee Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: _____
Date of incorporation or formation: _____
State of incorporation or formation: _____

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

Name of Each Director/Manager/Officer

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Principal's Name</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal.** Your Operating Principal is _____ (must be one of the individuals listed in paragraph 2 above. You may not change the Operating Principal without prior written approval. The Operating Principal is the person authorized to receive communications regarding this Agreement).

Address: _____

E-mail Address: _____

FRANCHISEE

By: _____
 Name:
 Title:

Dated: _____

K-9 FRANCHISING, LLC

By: _____
 Name: Jason Parker, CEO

Dated: _____

**EXHIBIT 3 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

PERSONAL GUARANTY

The undersigned persons designated as "Principals" hereby represent to K-9 Franchising, LLC ("Franchisor") that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, _____ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to Franchisee, as provided under the franchise agreement dated _____, (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor's transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Principals:

By: _____
Print Name

By: _____
Print Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

**EXHIBIT 4 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns and transfers to K-9 Franchising, LLC, a New Jersey limited liability company ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit "A" (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified in this Agreement, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor there under.

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

Upon a default by Assignor under the Lease or under the franchise agreement between Assignee and Assignor for the operation of a K9 Resorts (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor there from, and, in such event, Assignor shall have no further right, title or interest in the Lease.

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

Witness

ASSIGNOR:

(Individual, Partnership, Corporation or LLC Name)

By: _____

Title: _____

ASSIGNEE:

K-9 FRANCHISING, LLC

By: _____

Title: _____

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the aforescribed Lease hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with Section (a) above;
- (c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant there under, Lessor shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) On termination or expiration of the Franchise Agreement or the Lease, Assignee shall have the right to re-enter the Premises and make all necessary modifications or alterations to the Premises including the removal of all articles which display Assignee's Proprietary Marks. Assignee's re-entry shall not be deemed as trespassing.

DATED:

LESSOR:

ASSIGNEE:

K-9 FRANCHISING, LLC

By: _____

Title: _____

**EXHIBIT 5(a) TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

CONFIDENTIALITY AGREEMENT
(For employees of the Franchisee)

1. Pursuant to a Franchise Agreement dated _____, 20__ (the "Franchise Agreement"), _____ (the "Franchisee") has acquired the right and franchise from K-9 FRANCHISING LLC (the "Company") to establish and operate a K9 Resorts business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion.

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of K9 Resorts Luxury Pet Hotels and Boutique Pet Hotels. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes proprietary trade secrets, specifications, security protocols, computer hardware and systems, technology and equipment used, methods of business practices and management, research and development, training processes, operational manuals, presentation materials, vendor agreements, supplier lists, vendor lists, marketing and merchandising strategies, plans for new product or service offerings, and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information"). Confidential Information shall also expressly include all customer and franchisee personal and business information that I obtain or have access to during my employment, as well as the confidential information of any other third parties to whom the Company owes a duty of confidentiality. Further, any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. In consideration for my access to the Confidential Information as part of my employment with Franchisee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality and Non-Disclosure Agreement (the "Agreement").

4. As an employee of Franchisee, the Company and/or Franchisee may disclose the Confidential Information to me via training programs, the Company's Confidential Operations Manuals (the "Manuals"), or the development process during the term of my employment with the Franchisee.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in performing my duties for Franchisee during the term of my employment and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third-party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

6. Any work performed by me during my employment with Franchisee in relation to K9 Resorts or the Franchise Agreement and any derivative works created by me using the Confidential Information or any proprietary information of the Company are considered "works made for hire" and I will have no ownership interest in the items created.

7. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of Franchisee, and will continue not to disclose or use any such information even after I cease to be employed by Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement, a breach of the employees or associates of Franchisee, or a breach of my own duties or the duties hereunder.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Agreement may cause the Company and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, without the necessity of proving actual damages or posting a bond, in addition to any other remedies available to them, and I agree to pay Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisee and the Company, any claim I have against Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This is not a contract for employment and does not guaranty my employment for any set period of time. I agree and understand that Franchisee is my employer and I have no employment relationship with the Company.

12. Except for an action seeking injunctive or other equitable relief all claims, disputes or controversies that may arise concerning this Agreement, or the construction, performance, or breach of this Agreement, whether based on contract, tort, statute or any other theory, will be submitted to and adjudicated, determined and resolved through compulsory, binding arbitration, unless prohibited by law. Matters shall be decided on an individual basis, and not on a class-wide or multiple plaintiff basis or in an action where any party hereto acts in a representative capacity, unless prohibited by law. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the American Arbitration Association (“**AAA**”) for any action or proceeding arising out of or relating to this Agreement, which will be governed in accordance with its Employment Arbitration Rules, to the extent such rules are not inconsistent with the provisions of this arbitration provision and unless otherwise mutually agreed by the parties or prohibited by law. **The parties agree that any such arbitration will be final and binding and in agreeing to arbitration, the parties understand that they are waiving their respective rights to seek remedies in court, including the right to a jury trial.** In any arbitration, each party is solely responsible for payment of the fees and expenses of his, her or its counsel fees, and each party shall pay their required share of

arbitration costs. Notwithstanding any choice of law or other provision herein, the parties agree and acknowledge that the Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the laws of the state of New Jersey shall apply. The statute of limitations of the state of New Jersey shall be strictly enforced. The arbitration shall be conducted in Union County, New Jersey by one (1) arbitrator.

13. In the event any action for equitable relief, injunctive relief or specific performance is filed, or should any action be filed to confirm, modify or vacate any award rendered through compulsory binding arbitration, or otherwise, I hereby irrevocably agree that the forum for any such suit will lie with a court of competent jurisdiction in Union County, New Jersey or the applicable federal district court and hereby agree to the personal jurisdiction and venue of such courts.

14. This Agreement will be binding upon me, my heirs, and personal representatives, and shall inure to the benefit of Company and Franchisee and any of their affiliates, parents, subsidiaries, successors and assigns. I understand that this Agreement may and will be assigned or transferred to any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I acknowledge that the services to be rendered by me in my employment are unique and personal. Accordingly, I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

15. This Agreement may not be modified except by a written agreement executed by the Parties, which has been approved by the Company.

16. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

Name:
Dated: _____

FRANCHISEE

By: _____
Name:
Title:
Dated: _____

**EXHIBIT 5(b) TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(for non-affiliated spouses of Franchisee/Franchisee's owners)

1. Pursuant to a Franchise Agreement dated _____, 20__ (the "Franchise Agreement"), _____ (the "Franchisee") has acquired the right and franchise from K-9 FRANCHISING LLC (the "Company") to establish and operate a K9 Resorts business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion.

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of K9 Resorts Luxury Pet Hotels and Boutique Pet Hotels. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes proprietary trade secrets, specifications, security protocols, computer hardware and systems, technology and equipment used, methods of business practices and management, research and development, training processes, operational manuals, presentation materials, vendor agreements, supplier lists, vendor lists, marketing and merchandising strategies, plans for new product or service offerings, and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information"). Confidential Information shall also expressly include all customer and franchisee personal and business information that I obtain or have access to during my employment, as well as the confidential information of any other third parties to whom the Company owes a duty of confidentiality. Further, any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. In consideration for my access to the Confidential Information and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality and Non-Disclosure and Non-Competition Agreement (the "Agreement").

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in providing assistance for Franchisee during the term of the Franchise Agreement and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third-party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

5. Any work performed by me during my spouse's affiliation with Franchisee in relation to K9 Resorts or the Franchise Agreement and any derivative works created by me using the Confidential Information or any proprietary information of the Company are considered "works made for hire" and I will have no ownership interest in the items created.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information. Unless the Company otherwise agrees in writing, I will disclose

and/or use the Confidential Information only in connection with assistance provided by me to the Franchisee, and will continue not to disclose or use any such information even after my spouse ceases to be affiliated with Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement, a breach of the employees or associates of Franchisee, or a breach of my own duties or the duties hereunder.

7. Except as otherwise approved in writing by the Company, I shall not, during my spouse's association with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation (i) divert or attempt to divert any member, business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or (ii) own, maintain, engage in, be employed by, or have any interest in any other business which offers dog daycare or boarding (a "Competing Business"); or (iii) own, maintain, engage in, be employed by or have any interest in any company that grants licenses or franchises for a Competing Business. Further, for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement or my spouse's affiliation with the Franchisee (whichever occurs first), regardless of the cause for termination, and continuing for two (2) years, I shall not either directly or indirectly, for myself or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, engage in, be employed by or have any interest in a Competing Business within a radius of 5 miles (as the crow flies) of the Franchised Business, or any other K9 Resorts business in operation or under construction, or of any site for which I have knowledge that a lease has been signed or discussions are under way for a K9 Resorts business, nor will I own, maintain, engage in, be employed by or have any interest in any company that grants licenses or franchises for a Competing Business.

The prohibitions in this Paragraph 7 do not apply to my spouse's continuing interests in or activities performed in connection with a Franchised Business that is still in operation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Agreement may cause the Company and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, without the necessity of proving actual damages or posting a bond, in addition to any other remedies available to them, and I agree to pay Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisee and the Company, any claim I have against Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This is not a contract for employment and does not guaranty my employment for any set period of time.

12. Except for an action seeking injunctive or other equitable relief all claims, disputes or controversies that may arise concerning this Agreement, or the construction, performance, or breach of this Agreement, whether based on contract, tort, statute or any other theory, will be submitted to and adjudicated, determined and resolved through compulsory, binding arbitration, unless prohibited by law. Matters shall be decided on an individual basis, and not on a class-wide or multiple plaintiff basis or in an action where any party hereto acts in a representative capacity, unless prohibited by law. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the American Arbitration Association (“**AAA**”) for any action or proceeding arising out of or relating to this Agreement, which will be governed in accordance with its Commercial Arbitration Rules, to the extent such rules are not inconsistent with the provisions of this arbitration provision and unless otherwise mutually agreed by the parties or prohibited by law. **The parties agree that any such arbitration will be final and binding and in agreeing to arbitration, the parties understand that they are waiving their respective rights to seek remedies in court, including the right to a jury trial.** In any arbitration, each party is solely responsible for payment of the fees and expenses of his, her or its counsel fees, and each party shall pay their required share of arbitration costs. Notwithstanding any choice of law or other provision herein, the parties agree and acknowledge that the Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the laws of the state of New Jersey shall apply. The statute of limitations of the state of New Jersey shall be strictly enforced. The arbitration shall be conducted in Union County, New Jersey by one (1) arbitrator.

13. In the event any action for equitable relief, injunctive relief or specific performance is filed, or should any action be filed to confirm, modify or vacate any award rendered through compulsory binding arbitration, or otherwise, I hereby irrevocably agree that the forum for any such suit will lie with a court of competent jurisdiction in Union County or the applicable federal district court and hereby agree to the personal jurisdiction and venue of such courts.

14. This Agreement will be binding upon me, my heirs, and personal representatives, and shall inure to the benefit of Company and Franchisee and any of their affiliates, parents, subsidiaries, successors and assigns. I understand that this Agreement may and will be assigned or transferred to any successor of the Company, and any successor will be deemed substituted, for all purposes, as the “Company” under the terms of this Agreement. As used in this Agreement the term “successor” will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I acknowledge I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

15. This Agreement may not be modified except by a written agreement executed by the Parties, which has been approved by the Company.

16. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic

transmission.

Name:
Dated:_____

FRANCHISEE

By:_____

Name:
Title:
Dated:_____

**EXHIBIT 6 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

**FORM OF RELEASE
(Current Form – Subject to Change)**

THIS AGREEMENT (“Agreement”) is made and entered into as of the date executed by the Franchisor (“Effective Date”) by and between K-9 FRANCHISING, LLC, a New Jersey limited liability company having its principal place of business located at 43 South Avenue, Fanwood, NJ 07023 (the “Franchisor”), and _____, with an address of _____ (“Franchisee”).

WHEREAS, Franchisor and Franchisee entered into a franchise agreement dated _____ (the “Franchise Agreement”) which provides Franchisee with the right to operate a franchised business with a Protected Area as outlined on Exhibit 1 to the Franchise Agreement (the “Franchised Business”);

Wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein set forth, do agree as follows:

1. Franchisee acknowledges and agrees that by entering into this Agreement, all of Franchisee’s respective rights under the Franchise Agreement are terminated as of the Effective Date, however, Franchisee shall continue to be bound by the post-termination restrictions and covenants contained in the Franchise Agreement and any schedules attached thereto, which include, but are not limited to, covenants relating to Franchisor’s confidential information and intellectual property, a covenant not to compete, a covenant of non-disparagement and a covenant of indemnification. Further, Franchisee shall honor all obligations required upon termination, including those listed in Section 10 of the Franchise Agreement.
2. Franchisee on his/her/its own behalf and on behalf of his/her/its servants, employees, heirs, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, parents, affiliates, subsidiaries, servants, employees, franchisees, partners, members, heirs, successors, principals and assigns (“Franchisor Released Parties”), from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation, from the beginning of time to this date, arising under or in connection with the Franchise Agreement of the business operated pursuant to the Franchise Agreement. Without limiting the generality of the foregoing, but by way of example only, the release shall apply to any and all state and federal antitrust, securities, breach of contract, fiduciary duty, or fraud claims and causes of action arising under or in connection with the Franchise Agreement to the extent permitted by law.
3. Franchisee has either been advised by independent counsel before signing this or, acknowledging the need for independent counsel, knowingly waives any such review and advice.
4. The governing law, methods of dispute resolution and any right to recovery of attorney’s fees outlined in the Franchise Agreement shall apply to this Agreement as well.
5. This Agreement and the other documents referred to herein contain the entire agreement

between the parties hereto pertaining to the subject matter hereof and supersede all prior agreements, except those contemplated hereunder. Any waiver, alteration or modification of any of the provisions of this Agreement or cancellation or replacement of this Agreement shall not be valid unless in writing and signed by the parties.

6. This Agreement shall be binding upon Franchisee and Franchisee's heirs and personal representatives and shall inure to the benefit of Franchisor and its respective successors and assigns.

7. Any waiver of any term of this Agreement by Franchisor will not operate as a waiver of any other term of this Agreement nor will any failure to enforce any provision of this Agreement operate as a waiver of Franchisor's right to enforce any other provision of this Agreement.

8. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

10. Franchisee must maintain the confidentiality of this Agreement and shall not disclose the terms of this Agreement to any person or persons, except (a) professional advisors for legitimate business purposes or as required by law, or (b) as otherwise permitted in writing by Franchisor, or (c) as reasonably necessary for enforcement of any rights and remedies pursuant to this Agreement. Nothing in this Agreement will prohibit Franchisee, when required pursuant to a lawfully issued subpoena or discovery request or demand from government or police agency, from complying with the requirements of law with such subpoena, discovery, demand or request; provided, however, that Franchisee will, unless restricted from doing so by the terms of the subpoena or other circumstances or requested not to do so by the government or police agency (for example a gag order or law or rule that prohibits Franchisee from doing the following or request from government or police agency) provide Franchisor written notice, with time to seek relief if it wishes from disclosure pursuant to the subpoena, within one week of receipt of the subpoena.

In Witness Whereof, the parties hereby execute this Release.

FRANCHISOR

FRANCHISEE

By:
Name:
Title:
Dated: _____

By: _____
Name:
Title:
Dated: _____

**EXHIBIT 7 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

DISCLOSURE QUESTIONNAIRE

As you know, you and K-9 FRANCHISING, LLC, a New Jersey limited liability company (“Franchisor”) are entering into a Franchise Agreement (the “Franchise Agreement”) for the operation of a K9 Resorts business (the “Franchised Business”).

Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Acknowledgments and Representations

1. Did you receive a copy of the Franchise Agreement with any unilateral material changes made by us at least seven calendar days prior to the date on which the Franchise Agreement was executed? Check one: Yes. No If no, please comment:

2. Did you receive a copy of Franchisor’s Franchise Disclosure Document (and all exhibits and attachments at least 14 calendar days prior to signing the Franchise Agreement or paying any consideration to the Franchisor (10 business days for Michigan; the earlier of 10 business days or the first personal meeting for New York; and the earlier of 14 calendar days or the first personal meeting for Iowa)? Check one: Yes. No If no, please comment:

3. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee? Check one: Yes No

4. You had your first face-to-face meeting with a Franchisor representative on _____ (please list the date).

5. Did you sign a receipt for the Disclosure Document indicating the date you received it? Check one: Yes No

6. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today? Check one: Yes No. If Yes, please list the date.

7. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? Check one: Yes No. If so, who?

8. Do you understand that that the Franchise granted is for the right to develop one Franchised Business only in your Protected Area, and that Franchisor has the right, subject only to the limited rights granted to you under the Franchise Agreement, to issue Franchises or licenses or operate competing businesses for or at locations, as Franchisor determines, near your Franchised Business? Check one: Yes No. If no, please comment:

9. You further acknowledge that Executive Order 13224 (the "Executive Order") prohibits transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

10. Please list all states in which the undersigned are residents:

_____.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO FRANCHISOR AND THAT FRANCHISOR WILL RELY ON THEM. BY SIGNING THIS DOCUMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____

Date: _____

Signed: _____

Date: _____

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

**EXHIBIT 8 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

CONSENT TO TRANSFER

FORM OF TRANSFER AGREEMENT

This Transfer Agreement (this "Agreement") is made and entered into as of the date executed by Franchisor (the "Effective Date") by and among K-9 FRANCHISING, LLC, a New Jersey limited liability company having its principal place of business located at 43 South Avenue, Fanwood, NJ 07023 ("Franchisor"), _____ ("Transferor"), _____ (collectively "Transferor Guarantors"), _____ ("Transferee") and _____ ("Transferee Guarantors").

WITNESSETH:

WHEREAS, a Franchise Agreement dated _____ (the "Franchise Agreement") was executed by and between Franchisor on the one hand, and Transferor on the other, for the operation of a franchised business in the Protected Area as outlined on Exhibit 1 to the Franchise Agreement (the "Franchised Business").

WHEREAS, Transferor desires to transfer to Transferee substantially all of the assets of the Franchised Business, and Transferor has requested that Franchisor consent to the transfer thereof to Transferee. This Agreement is executed and delivered simultaneously with, and as a condition of the closing of the sale of the assets of the Franchised Business.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

AGREEMENT:

1. **Recitals Included in Agreement.** The parties incorporate into this Agreement the recitals set forth above as if set forth in full.

2. **Consent.** Franchisor hereby consents to and waives any right of first refusal in connection with the sale of the Franchised Business and the transfer by Transferor to Transferee (the "Transaction"), subject to the terms of this Agreement. Franchisor's consent to the Transaction is subject to and made in reliance upon the following terms, conditions, representations and warranties. Transferor's and/or Transferee's failure to comply with the terms of this Agreement will result in a default and render the Transaction void:

A. Transferor represents, warrants, covenants and agrees that each of the following are true and correct as of its date of execution, and shall remain true through the Closing (as defined herein):

(1) Transferor is the sole owner of, and possesses good and marketable right, title and interest in and to, the Franchised Business; and no other person or entity owns or has any right, title or

interest in and to the Franchise Agreement and/or the Franchised Business.

(2) Transferor's Guarantors are the sole owners of Transferor, and no other person or entity has an equity or beneficial ownership interest in Transferor.

(3) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferor, or any lease, contract, promissory note or agreement to which Transferor is a party or is bound.

(4) Transferor and Transferor's Guarantors acknowledge and agree that by entering into this Agreement, all of Transferor's rights under the Franchise Agreement will be terminated as of the Closing however, Transferor and Transferor's Guarantors shall continue to be bound by the post-termination restrictions and covenants contained in the Franchise Agreement and any schedules attached thereto.

B. Transferee represents, warrants, covenants and agrees that each of the following are true and correct as of its respective date of execution, and shall remain true through the Closing:

(1) Transferee will be the sole owner of and possess good and marketable right, title and interest in and to the Franchised Business, and no other person or entity will own or have any right, title or interest in and to the Franchise Agreement and/or the Franchised Business. Transferee will be taking over the Franchise Agreement for the remainder of its term [OR WILL BE EXECUTING A NEW FRANCHISE AGREEMENT]. Transferee's ownership composition is set forth on Schedule 1, attached hereto.

(2) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferee, or any lease, contract, promissory note or agreement to which Transferee or Transferee's Guarantors are a party or are bound. Transferee's Guarantors will execute the Guaranty attached as Schedule 2.

(3) Transferee relied solely and exclusively on Transferee's own independent investigation of the franchise system and of the Franchised Business and the historical financial records of the Franchised Business provided to Transferee by Transferor; and based on the receipt of the actual historical performance of the Franchised Business it would not be reasonable to rely on the financial performance representation contained in Franchisor's Franchise Disclosure Document, or any other financial performance representation, pro forma or projection that differed or diverged, in whole or in part, from the Franchised Business' actual historical financial performance.

C. To the extent not already completed, Transferee (or Transferee's Guarantors, if an entity) and any required employees shall attend and complete, to the satisfaction of Franchisor, Franchisor's training program required of new franchisees, at the time directed by Franchisor.

D. Transferee represents, warrants, covenants and agrees that all information furnished or to be furnished to Franchisor by Transferee in connection with Transferee's request to receive a transfer is and will be, as of the date such information is furnished, and through the date of the Closing, true and correct in all material respects and will include all material facts necessary to make the information not misleading in light of the circumstances.

E. Transferor and Transferee represent, warrant and agree that, subject to Franchisor's

consent, Transferor will sell and transfer, and Transferee will acquire, the Franchised Business and that all legal actions necessary to effect the sale and transfer have been or will be accomplished prior to or at Closing.

F. Effective as of the day and time Transferee takes title of the Franchised Business ("Closing"), Transferee expressly agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Transferor so that Transferee can operate the Franchised Business as of the Closing, but no sooner than the Closing. Only Transferor will have the right to operate the Franchised Business until Closing, unless otherwise expressly agreed in writing.

G. Transferee will not be required to pay an initial franchise fee, however a transfer fee will be charged in the amount of _____.

3. **Transferor and Transferor's Guarantor's Release.** Transferor, Transferor's Guarantors and their respective officers, directors, shareholders, agents, parents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors, assigns and principals do hereby release Franchisor, its officers, directors, shareholders, agents, parents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors, principals and assigns ("Franchisor Released Parties"), from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which they had, from the beginning of time to the date of execution, arising under or in connection with the Franchise Agreement or operation of the Franchised Business. Without limiting the generality of the foregoing, but by way of example only, the release shall apply to any and all state and federal antitrust, securities, breach of contract, fiduciary duty, or fraud claims and causes of action arising under or in connection with the Franchise Agreement, unless prohibited by law.

4. **Assignment of Franchise Agreement.** Transferor hereby assigns and transfers over to Transferee all right, title and interest in and to the Franchise Agreement and any addendums and applicable exhibits, as of the Closing (IF A NEW AGREEMENT IS NOT BEING SIGNED). Transferee agrees to assume all of Transferor's obligations, agreements, commitments, and duties under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Franchisee thereunder with the same force and effect as if the Franchise Agreement were originally written with Transferee as Franchisee.

5. **No Security Interests in the Assets of Transferee.** The parties acknowledge and agree that Transferor is not permitted to retain a security interest in the assets of the Franchised Business or the franchise without Franchisor's prior consent.

6. **Non-Participation.** Transferor, Transferor's Guarantors, Transferee's Guarantors and Transferee jointly and severally, acknowledge and agree that, except for the preparation and execution of this Agreement, Franchisor has not participated in the Transaction between them and, therefore, has no knowledge of, and does not attest to, the accuracy of any representations or warranties made by or between Transferor and Transferee in connection with this transfer. Franchisor assumes no obligations in that regard. Transferor acknowledges and agrees that the sale of the Franchised Business is for Transferor's own account.

7. **Insurance.** Prior to Closing, Transferee must provide Franchisor with a Certificate of Insurance for the insurance coverages specified in the franchise agreement, which policy(ies) must name Franchisor and all related parties as an additional insured.

8. **Changed Circumstances.** All parties understand and acknowledge that Franchisor may, in the future, approve offerings and transfers under different terms, conditions and policies. Franchisor's consent and waiver in this instance shall not be relied upon in future transactions as indicative of Franchisor's position or the conditions that might be attached to future consents or waivers of its right of first refusal.

9. **Singular Consent.** Transferor and Transferee acknowledge and agree that Franchisor's execution of this Agreement is not intended to provide, and shall not be construed as providing, Franchisor's consent with regard to a transfer of any right or interest under any other agreement not specifically identified in this Agreement. Such consent must be separately obtained.

10. **Validity.** If any material provision or restriction contained herein shall be declared void or unenforceable under applicable law, the parties agree that such provision or restriction will be reformed to the extent necessary to make it valid and enforceable. To the extent a provision cannot be reformed, it shall be stricken, and the remainder of this Agreement will continue in full force and effect. Notwithstanding this Paragraph, however, the parties agree that, to the extent Franchisor suffers harm as a consequence of the striking of such provision or restriction, the other parties to this Agreement shall exercise best efforts to make Franchisor whole.

11. **Indemnification.** Transferor and Transferor's Guarantors, jointly and severally, agree to indemnify, defend and hold harmless Franchisor and its predecessors, parents, successors and affiliates and any of their principals, owners, shareholders, employees or agents from and against any claims, losses, liabilities, costs or damages incurred by them as a result of or in connection with the transfer to Transferee or any dispute between Transferor and Transferee.

12. **Counterparts.** This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

13. **Miscellaneous.** The parties hereto agree that this Agreement constitutes, upon the execution of this Agreement by all of the parties and after it has been accepted and executed by Franchisor, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranties, or statement, oral or in writing, not contained herein, shall be of any force and effect against any party, except the Franchise Agreement and its addendums and exhibits shall remain in force in the manner, and to the extent, contemplated herein, and this Agreement shall not be modified, altered or amended except in writing signed by all parties. The waiver by any party of any breach or violation of any provision of this Agreement will not operate or be construed as a waiver of any other or subsequent breach or violation hereof. This Agreement will be binding upon and inure to the benefit of the parties, and their respective heirs, executors, successors and assigns. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

14. **Agreement Survives Closing.** All representations, warranties, terms and conditions set forth in this Agreement shall survive the execution and delivery of this Agreement, the Closing, and the consummation of the Transaction provided for herein.

15. **Review of Agreement and Representation.** Transferor, Transferor's Guarantors,

Transferee's Guarantors and Transferee each represent and acknowledge that he/she/it has received, read and understands this Agreement, including its exhibits; and that Franchisor has fully and adequately explained the provisions to each to their satisfaction; and that Franchisor has afforded each of them ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement.

I HAVE READ THE ABOVE AGREEMENT. I WOULD NOT SIGN THIS AGREEMENT, IF I DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.

FRANCHISOR:

K-9 FRANCHISING, LLC

By: _____
Name: Jason Parker, CEO
Dated: _____

TRANSFEROR:

By: _____
Name: _____
Title: _____
Dated: _____

TRANSFEROR'S GUARANTORS:

Name: _____
Dated: _____

TRANSFEEE:

By: _____
Name: _____
Title: _____
Dated: _____

TRANSFEEE'S GUARANTORS:

Name: _____
Dated: _____

SCHEDULE 1

**FRANCHISEE IDENTIFICATION AND OWNERSHIP
K9 Franchise Agreement**

Franchisee Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: _____
Date of incorporation or formation: _____
State of incorporation of formation: _____

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

Name of Each Director/Manager/Officer

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

Principal's Name

Percentage/Description of Interest

(a) _____	_____
(b) _____	_____
(c) _____	_____
(d) _____	_____

3. **Identification of Operating Principal.** Your Operating Principal is _____
_____ (must be one of the individuals listed in paragraph 2 above. You may not change
the Operating Principal without prior written approval. The Operating Principal is the person authorized to
receive communications regarding this Agreement).

Address: _____

E-mail Address: _____

FRANCHISEE

By: _____
Name:
Title:

Dated: _____

K-9 FRANCHISING, LLC

By: _____
Name:
Title:

Dated: _____

SCHEDULE 2

GUARANTY

The undersigned persons designated as "Principals" hereby represent to K-9 Franchising, LLC ("Franchisor") that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, _____ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to _____, as provided under the franchise agreement dated _____, [and later transferred to Franchisee] (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor's transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Principals:

By: _____
Print Name

By: _____
Print Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

**EXHIBIT 9 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

ASSIGNMENT AND ASSUMPTION AGREEMENT

(PARTNERSHIP, CORPORATION or LIMITED LIABILITY COMPANY)

THIS ASSUMPTION AND ASSIGNMENT AGREEMENT (the “**Agreement**”) is made and entered into as of the date this Agreement is executed by Franchisor (the “**Effective Date**”) by and among K-9 FRANCHISING, LLC, a New Jersey limited liability company having its principal place of business located at 43 South Avenue, Fanwood, NJ 07023 (“**Franchisor**”), _____ an individual with an address at _____ (“**Assignor**”), and _____ (“**Assignee**”).

BACKGROUND

A. Assignor and Franchisor entered into a certain Franchise Agreement dated _____ (the “**Franchise Agreement**”) whereby Assignor was given the right and undertook the obligation to operate a K9 Resorts Franchised Business (the “**Franchised Business**”) in the Protected Area listed on Exhibit 1 to the Franchise Agreement.

B. Assignor has organized and incorporated Assignee for the convenience and sole purpose of owning and operating the Franchised Business.

C. Assignor desires to assign the rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement.

D. Franchisor is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Agreement, including the agreement by Assignor to guarantee the performance by Assignee of its obligations under the Franchise Agreement.

AGREEMENT

In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all right, title and interest in and to the Franchise Agreement, effective as of the Effective Date.

2. Assignee hereby assumes all of Assignor’s obligations, agreements, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Franchisee thereunder with the same force and effect as if the Franchise Agreement were originally written with Assignee as Franchisee.

3. Exhibit A to this Agreement lists all of Assignee’s owners and their interests in Assignee as of the Effective Date. Assignee agrees that it and its owners will sign and deliver to Franchisor a revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

4. The Assignor as an owner of Assignee and in consideration of benefits received and to be received, shall sign and deliver to Franchisor a personal guaranty in the form attached as Exhibit B to this Agreement.

5. Assignor, for himself/herself and his/her agents, servants, employees, partners, members, heirs, predecessors, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which he/she had, from the beginning of time to this date, arising under or in connection with the Franchise Agreement.

6. Assignee agrees that the Franchised Business which Assignee will operate will be the only business Assignee operates (although Assignor may have other, non-competitive business interests).

7. This Agreement shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

8. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

9. This Agreement, and the documents referenced herein, shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall supersede any prior agreements, verbal or written. This Agreement shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. If Franchisor retains the services of legal counsel to enforce the terms of this Agreement, Franchisor shall be entitled to recover all costs and expenses, including travel, reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

11. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel.

12. The obligations of Assignor and Assignee under this Agreement shall be joint and several.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

ASSIGNOR:

Dated: _____

ASSIGNEE:

By: _____

Name:

Title:

Dated: _____

FRANCHISOR:

K-9 FRANCHISING, LLC

By: _____

Name:

Title:

Dated: _____

**EXHIBIT A TO K-9 FRANCHISING, LLC
ASSUMPTION AND ASSIGNMENT AGREEMENT**

STATEMENT OF OWNERSHIP INTERESTS

Franchisee Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: _____
Date of incorporation or formation: _____
State of incorporation of formation: _____

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

Name of Each Director/Manager/Officer

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

Principal's Name

Percentage/Description of Interest

(a) _____	_____
(b) _____	_____

(c) _____
(d) _____

3. **Identification of Operating Principal.** Your Operating Principal is _____
_____ (must be one of the individuals listed in paragraph 2 above. You may not change
the Operating Principal without prior written approval. The Operating Principal is the person authorized to
receive communications regarding this Agreement).

Address: _____

E-mail Address: _____

FRANCHISEE

By: _____
Name:
Title:
Dated: _____

K-9 FRANCHISING, LLC

By: _____
Name:
Title:
Dated: _____

**EXHIBIT B TO K-9 FRANCHISING, LLC
ASSUMPTION AND ASSIGNMENT AGREEMENT**

The undersigned persons designated as "Principals" hereby represent to K-9 Franchising, LLC ("Franchisor") that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, _____ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to _____, as provided under the franchise agreement dated _____, [and later transferred to Franchisee] (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor's transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Principals:

By: _____
Print Name

By: _____
Print Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

**EXHIBIT 10 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT (the “Agreement”) is made and entered into as of the date it is executed by Franchisor (the “Effective Date”), by and between K-9 Franchising LLC, a New Jersey limited liability company (the “Franchisor”), and _____ (the “Franchisee”).

WITNESSETH:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for the right to own and operate a K9 Resorts business (the “Franchise Agreement”); and

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

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

1. DEFINITIONS

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

2. TRANSFER; APPOINTMENT

2.1 Interest in Telephone Numbers, Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain telephone numbers and telephone directory listings (collectively, the “Telephone Numbers and Listings”); social media accounts, domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the “Internet Web Sites and Listings”) related to the Franchised Business or the Proprietary Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Telephone companies or listing companies, Internet Service Providers, social media platforms, domain name registries, Internet search engines, and other listing agencies (collectively, the “Companies”) with which Franchisee has Telephone Numbers and Listings or Internet Web Sites and Listings: (i) to transfer all of Franchisee’s Interest in such Telephone Numbers and Listings or Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings or Internet Web Sites and Listings, Franchisee will immediately terminate Telephone Numbers and Listings or Internet Web Sites and Listings, or if such

termination requires the involvement of the Companies, immediately direct the Companies to terminate such Telephone Numbers and Listings or Internet Web Sites and Listings and Franchisee will take such other actions as Franchisor directs.

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

2.3.1 Direct the Companies to transfer all Franchisee's Interest to Franchisor;

2.3.2 Direct the Companies to terminate any or all of the Telephone Numbers and Listings or Internet Web Sites and Listings; and

2.3.3 Execute the Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

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

2.5 Cessation of Obligations. After the Companies have duly transferred all Franchisee's Interest to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or continuing obligations under, such Telephone Numbers and Listings or Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Companies for the sums Franchisee is obligated to pay such Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest and shall remain liable for any actions occurring prior to the date of transfer.

3. MISCELLANEOUS

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

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and

assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

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

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

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

3.6 Effect on Other Agreements. This is agreement and the documents referenced herein constitute the entire agreement between the parties related to the subject matter herein.

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

3.8 Joint and Several Obligations. All Franchisee's obligations under this Agreement shall be joint and several.

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

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement.

K-9 FRANCHISING LLC:

FRANCHISEE:

By: _____

Name: Jason Parker, CEO

Dated: _____

By: _____

Name: _____

Title: _____

Dated: _____

**EXHIBIT 11 TO
K-9 FRANCHISING, LLC
FRANCHISE AGREEMENT**

ELECTRONIC TRANSFER AUTHORIZATION

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND
PAYABLE TO K-9 FRANCHISING, LLC (“COMPANY”)**

Depositor hereby authorizes and requests _____ (the “Depository”) to initiate debit and credit entries to Depositor’s checking or savings account (select one) indicated below drawn by and payable to the order of K-9 Franchising, LLC by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository’s rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name: _____

City: _____ State: _____ Zip Code: _____

Transit/ABA Number: _____ Account Number: _____

This authority is to remain in full force and effect until Depository has received written notification from K-9 Franchising, LLC and Depositor of its termination.

Depositor: (Please Print)

Date Signed

Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

Exhibit C

MULTI-UNIT DEVELOPER AGREEMENT

K-9 Franchising, LLC

**K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**



K9 RESORTS
LUXURY PET HOTEL



K9 RESORTS
BOUTIQUE PET HOTEL

**K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

	<u>PAGE</u>
1. GRANT	2
2. DEVELOPMENT FEE	3
3. DEVELOPMENT OBLIGATIONS	3
4. TERM	5
5. DUTIES OF THE PARTIES	5
6. DEFAULT	8
7. TRANSFERS	9
8. COVENANTS	12
9. NOTICES	14
10. INDEPENDENT CONTRACTOR AND INDEMNIFICATION	15
11. APPROVALS AND WAIVERS	16
12. SEVERABILITY AND CONSTRUCTION	16
13. ENTIRE AGREEMENT	17
14. APPLICABLE LAW AND JURISDICTION	17
15. ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES	20

- EXHIBIT 1 - DEVELOPMENT AREA
- EXHIBIT 2 - STATEMENT OF OWNERSHIP INTEREST
- EXHIBIT 3 – DEVELOPMENT SCHEDULE/ DEVELOPMENT FEE
- EXHIBIT 4 - PERSONAL GUARANTEE
- EXHIBIT 5 – CONFIDENTIALITY AGREEMENT
- EXHIBIT 6 - ASSIGNMENT AND ASSUMPTION AGREEMENT

**K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

This Multi-Unit Operator Agreement (the "Agreement") is entered into and made by and between K-9 Franchising, LLC, a New Jersey limited liability company, with its principal business address at 43 South Avenue, Fanwood, New Jersey 07023 ("Company") and _____ with a principal address at _____ ("Developer") on the date this Agreement is executed by the Company below (the "Effective Date").

BACKGROUND

A. The Company and/or its equity owners, parent, predecessor or affiliate, through the expenditure of considerable money, time and effort, has developed a system (the "K9 System" or "System") for the establishment, development and operation of K9 Resorts Luxury Pet Hotels and K9 Resorts Boutique Pet Hotels (each a "K9 Resorts Business"). The System includes our proprietary marks, recognized designs, decor and color schemes, trade dress, distinctive specifications for fixtures, IT platforms, equipment, and designs; know-how, and trade secrets; procurement of clients, sales techniques, and merchandising, marketing, advertising, record keeping and business management systems; quality control procedures; and procedures for operation and management of a K9 Resorts Business.

B. The K9 System is identified by various trade names, trademarks and service marks used by the Company and its franchisees including, without limitation, the trademarks "K9 Resorts Luxury Pet Hotel", "K9 Resorts Boutique Pet Hotel" and other identifying marks and symbols that the Company uses now or may later use as part of the K9 System (the "Proprietary Marks"). The rights to all the Proprietary Marks shall be owned exclusively by the Company, its equity owners, parent, predecessor or its affiliate.

C. The Company is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate a K9 Resorts Business.

D. Developer wishes to obtain certain development rights to develop K9 Resorts Businesses under the System, to be identified with the Proprietary Marks in the Development Area described in this Agreement, and to be trained by the Company to establish and operate K9 Resorts Businesses.

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

1. GRANT

1.1 The Company hereby grants to Developer, pursuant to the terms and conditions of this Agreement, the development rights outlined herein, and Developer hereby undertakes the obligation, to establish and open the K9 Resorts Businesses (each a “Franchised Business”), pursuant to the development schedule set forth in Exhibit “3” (the “Development Schedule”) at specific locations to be designated in separate franchise agreements (the “Franchise Agreements”) executed by Developer as provided in Section 3.1 hereof. Each Franchised Business developed hereunder shall be located in the area described in Exhibit “1” (the “Development Area”) attached hereto.

1.2 Each Franchised Business developed hereunder shall be established and operated pursuant to a separate Franchise Agreement entered into between Developer or its affiliate and the Company in accordance with Section 3.1 hereof.

1.3 Except as otherwise provided in this Agreement, during the term of this Agreement, the Company shall not establish or operate, nor license any party other than Developer to establish or operate, any Franchised Business under the System and the Proprietary Marks in the Development Area; provided, however, that Developer acknowledges and agrees that the Company retains the following rights, among others, in the Development Area:

1.3.1 The right to own, operate, franchise or license, both within and outside the Development Area, businesses operating under names other than the Proprietary Marks, regardless of whether or not these other concepts offer products and services which are similar to or competitive with those offered by any Franchised Business.

1.3.2 The right, in connection with a merger or acquisition, to own, operate, franchise or license businesses operating under names other than those identified by the Proprietary Marks, regardless of whether or not these other concepts offer products and services similar to or competitive with those to be offered by K9 Resorts Businesses and regardless of location, and the right to convert those locations to K9 Resorts Businesses;

1.3.3 The right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of the Franchised Businesses.

1.4 Developer further acknowledges and agrees that certain of the Company’s or its parent, predecessor or affiliates’ products and services, whether now existing or developed in the future, may be distributed in the Development Area by the Company, the Company’s parent, predecessor or affiliates, or the Company’s licensees or designees, in such manner and through such channels of distribution other than through K9 Resorts Businesses, as the Company, in its sole discretion, shall determine, including, but not limited to, the right to distribute products and services (which may include, but are

not limited to: grooming products, pet supplies, books, food, and videos), in other channels of distribution (which other channels of distribution include but are not limited to: sales of services and products at or through mail order, catalog, tele-marketing, direct mail marketing, or via the internet, and any similar outlets or distribution methods), whether now existing or developed in the future, identified by the Proprietary Marks or other marks the Company and/or its parent, predecessor or affiliate owns or licenses, through any distribution method the Company or its parent, predecessor or affiliate may establish, and may franchise or license others to do so, both within and outside the Development Area, regardless of whether the offering of products or services in the other channels of distribution compete with a K9 Resorts Business. The Company reserves the right, among others, to implement any distribution arrangements relating thereto. Developer understands that this Agreement grants Developer no rights (i) to distribute such products through such channels of distribution as described in this Section 1.4, or (ii) to share in any of the proceeds received by any such party therefrom.

1.5 This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner the Company's Proprietary Marks or System. Developer shall have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

2. DEVELOPMENT FEE

2.1 In consideration of the development rights granted herein, Developer shall pay to the Company, upon execution of this Agreement, the development fee set forth on Exhibit "3" (the "Development Fee"), receipt of which is hereby acknowledged by the Company, and which shall be deemed fully earned and non-refundable upon execution of this Agreement in consideration of the administrative and other expenses incurred by the Company and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

3. DEVELOPMENT OBLIGATIONS

3.1 In exercising its development rights and fulfilling its development obligations under this Agreement, Developer shall execute a Franchise Agreement for each Franchised Business at a site approved by the Company in the Development Area as hereinafter provided. The Franchise Agreement for the first Franchised Business developed hereunder shall be in the form of the then current Franchise Agreement and shall be executed concurrently with this Agreement. The Franchise Agreement for each additional Franchised Business developed hereunder shall be the form of the then-current Franchise Agreement being offered for new K9 Resorts Businesses, generally, by the Company at the time each such Franchise Agreement is executed. The terms and conditions of each subsequent Franchise Agreement signed by Developer may differ from the previous Franchise Agreement, however, Developer shall not be required to pay an initial franchise fee.

3.2 Prior to Developer's acquisition by lease or purchase of any site for a Franchised Business, Developer shall submit to the Company, in the form specified by

the Company, the description of the proposed site and such information or materials as the Company may reasonably require, together with a letter of intent or other evidence satisfactory to the Company which confirms Developer's favorable prospects for obtaining the proposed site. The Company shall have sixty (60) days after receipt of the description of the proposed site and other information and materials from Developer to exercise its right and option, in writing, to approve or disapprove the proposed site for development as a Franchised Business. In the event the Company does not approve a proposed site by written notice to Developer within such sixty (60) days, such site shall be deemed disapproved by the Company. The Company may present sites to Developer which meet the criteria and are available, but Developer shall have no obligation to accept any such sites. Developer acknowledges that Developer, and not the Company, has the duty and obligation to obtain an approved site for each Franchised Business.

3.3 Developer acknowledges that Developer is solely responsible for locating and securing sites acceptable to the Company and for negotiating leases for the sites acceptable to the Company. Developer shall submit to the Company the information developed at Developer's expense that the Company requests concerning any site and lease proposed by Developer for the Company's approval under this Agreement at any time as the Company may request. Developer acknowledges and agrees that the Company's review of the site information and lease (if any), presentation of a site to Developer, and/or approval does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for a Franchised Business or any lease terms or for any other purpose, or of its compliance with any federal, state or local laws, codes or regulations, including, without limitation, the applicable provisions of the Americans with Disabilities Act regarding the construction, design and operation of the Franchised Business. The Company's presentation and/or approval of the site and/or lease (if any) indicates only that the Company believes the site and lease complies with acceptable minimum criteria established by the Company solely for its purposes as of the time of the evaluation. Both Developer and the Company acknowledge that application of criteria that have been effective with respect to other sites and premises under the System may not be predictive of potential for all sites and leases and that, subsequent to the Company's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from the Company's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond the Company's control. The Company shall not be responsible for the failure of a site or lease presented or approved by the Company to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a K9 Resorts Business at the site or lease is based on its own independent investigation of the suitability of the site or the lease.

3.4 Recognizing that time is of the essence, Developer agrees, by the dates described in the Development Schedule, to (i) execute each subsequent Franchise Agreement and (ii) have open and operating the minimum cumulative number of Franchised Businesses. If Developer fails, by the respective dates set forth in the Development Schedule, (x) to (1) execute the Franchise Agreements for the number of

locations described in the Development Schedule and (2) have open and operating the minimum number of Franchised Businesses required in the Development Schedule, or (y) thereafter to develop, open and operate the respective Franchised Businesses in accordance with the terms of the Franchise Agreements, Developer shall be in material default of this Agreement, and the Company shall have the right to all remedies described in Section 6.2 hereof.

4. TERM

4.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder shall expire on the earlier of: (i) the last date specified in the Development Schedule; or (ii) the date when Developer has open and in operation all of the Franchised Businesses required by the Development Schedule.

4.2 Upon expiration of this Agreement as set forth in Section 4.1 of this Agreement:

4.2.1 Developer shall not have any right to establish any Franchised Businesses for which a Franchise Agreement has not been executed by the Company at the time of expiration; and

4.2.2 The Company shall be entitled to establish and operate, and license others to establish and operate Franchised Businesses under the System and Proprietary Marks in the Development Area, except as may otherwise be provided under any Franchise Agreement which has been executed between the Company and Developer.

5. DUTIES OF THE PARTIES

5.1 For each Franchised Business developed hereunder, the Company shall furnish to Developer the following:

5.1.1 Such site selection consultation as the Company may deem advisable; and

5.1.2 Such on-site evaluation as the Company may deem advisable as part of its evaluation of Developer's request for site approval; provided, however, that the Company shall not provide on-site evaluation for any proposed site prior to the Company's receipt of such information and materials required under Section 3.2 hereof, including, but in no way limited to, a description of the proposed site and a letter of intent or other evidence satisfactory to the Company which confirm Developer's favorable prospects for obtaining the proposed site. The Company has no obligation to provide on-site evaluation for any proposed site if Developer has not yet signed the applicable Franchise Agreement.

5.1.3 Review site survey information on sites Developer selects for conformity to the Company's standards and criteria for potential sites and, if the site meets the Company's criteria, approve the site for a Franchised Business.

5.1.4. Provide Developer with standard specifications and layouts for building and furnishing the Franchised Business.

5.1.5 Review Developer's site plan and final build-out plans and specifications for conformity to Company standards and specifications.

5.2 Developer accepts the following obligations:

5.2.1 A Developer which is a corporation shall comply, except as otherwise approved in writing by the Company, with the following requirements throughout the term of this Agreement:

5.2.1.1 Developer shall furnish the Company with its Articles of Incorporation, Bylaws, other governing documents and any amendments thereto including the Resolution of the Board of Directors authorizing entry into this Agreement. The Company shall maintain the right to review other of Developer's corporate documents from time to time as it, in its sole discretion, deems advisable, including, but not limited to, minutes of the meetings of Developer's Board of Directors, any other documents the Company may reasonably request, and any amendments thereto.

5.2.1.2 Developer shall be a newly organized corporation, and shall at all times confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to the management and operation of the business contemplated hereunder, including the establishment and operation of the Franchised Businesses to be developed hereunder.

5.2.1.3 Developer shall maintain stop transfer instructions against the transfer on its records of any equity securities; and shall issue no certificates for voting securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Multi-Unit Operator Agreement with K-9 Franchising, LLC, dated _____. Reference is made to the provisions of the said Multi-Unit Operator Agreement and to the Articles and Bylaws of this Corporation.

Notwithstanding the above, the requirements of this Section 5.2.1.3 shall not apply to a "publicly-held corporation". A "publicly-held corporation" for purposes of this Agreement shall mean a corporation registered pursuant to the Securities and Exchange Act of 1934.

5.2.1.4 Developer shall maintain a current list of all owners of record and to its knowledge, all beneficial owners of any class of voting securities of Developer

and shall furnish the list to the Company upon request, but in no event less frequently than when a change is made to same

5.2.2 A Developer which is a partnership shall comply, except as otherwise approved in writing by the Company, with the following requirements throughout the term of this Agreement:

5.2.2.1 Developer shall furnish the Company with its partnership agreement as well as such other documents as the Company may reasonably request, and any amendments thereto, which shall contain a restriction on transfer of any partnership interest without the prior written consent of the Company.

5.2.2.2 Developer shall prepare and furnish to the Company, upon request, but in no event less frequently than when a change is made to same, a list of all general and limited partners in Developer.

5.2.3 A Developer which is a limited liability company shall comply, except as otherwise approved in writing by the Company, with the following requirements throughout the term of this Agreement:

5.2.3.1 Developer shall furnish the Company with a copy of its operating agreement and other governing documents and any amendments thereto. The Company shall maintain the right to review other of Developer's limited liability company documents from time to time as it, in its sole discretion, deems advisable including all documents the Company may reasonably request, and any amendments thereto.

5.2.3.2 Developer shall be a newly organized limited liability company, and shall at all times confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to the management and operation of the business contemplated hereunder.

5.2.3.3 Developer shall maintain a current list of all members and managers of record and shall furnish the list to the Company upon request, but in no event less frequently than when a change is made to same

5.2.4 Developer represents and warrants that, as of the Effective Date, the list of owners and their respective ownership interests described in Exhibit "2" attached hereto is complete and accurate.

5.2.5 As a condition of the effectiveness of this Agreement, all owners with any interest in Developer shall execute the Guaranty attached as Exhibit "4" hereto.

5.2.6 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations.

5.2.7 Developer shall comply with all of the other terms, conditions and obligations of Developer under this Agreement.

6. DEFAULT

6.1 Developer shall be deemed in default under this Agreement, and Franchisor may terminate this Agreement immediately upon written notice to Developer, if Developer (or any of Developer's owners): falsifies any information or material provided to the Company; becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Developer or such a petition is filed against and consented to by Developer; is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer or a receiver is appointed by any court of competent jurisdiction; if execution is levied against Developer's business or assets; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against Developer and not dismissed within thirty (30) days or if the real or personal property of any of Developer's Franchised Businesses shall be sold after levy thereupon by any sheriff, marshal or constable; uses the Company's Confidential Information in an unauthorized way; breaches a covenant, including the non-competition covenants; commit any acts of moral turpitude or other criminal acts which may affect the reputation or the goodwill of the Proprietary Marks; is convicted of or pleads guilty or nolo contendere of a felony; failure to comply with or to perform any of the terms, conditions or obligations of this Agreement, (including the development obligations described herein); failure to comply with any Franchise Agreement or any other agreement between Developer or any of its affiliates and the Company, its parent, predecessor or affiliates or subsidiaries; if an unauthorized transfer is made or attempted to be made in violation of Section 7.2 hereof.

6.2 Upon such default, the Company shall have the right, in its sole discretion:

6.2.1 To terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon receipt by Developer of written notice; or

6.2.2 To terminate the territorial protection granted under Section 1.3 hereof, and the Company shall have the right to establish and operate, and license others to establish and operate, Franchised Businesses within the Development Area.

6.3 Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Franchised Businesses for which a Franchise Agreement has not been executed by the Company at the time of termination. The Company shall have the right to establish and operate, and to license others to establish and operate, Franchised Businesses under the System and the Proprietary Marks in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between the Company and Developer.

6.4 No default under this Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto. Default under this

Development Agreement shall constitute default under any other Development Agreement between the parties hereto.

6.5 All defaults not listed in Section 6.1 are considered curable defaults and shall have a 30 day cure period.

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

7. TRANSFERS

7.1 Transfer by the Company:

The Company shall have the right to transfer, assign or delegate all or any part of its rights or obligations herein to any person or legal entity, Developer agrees hereby to consent to any such assignment and delegation and to execute any documents in connection therewith as reasonably requested by the Company. Any such assignment shall be binding upon and inure to the benefit of the Company's successors and assigns.

7.2 Transfer by Developer:

Developer understands and acknowledges that the rights and duties set forth in this Agreement are unique to Developer, and are granted in reliance on the business skill, financial capacity, and personal character of Developer or Developer's owners. If Developer is an individual, Developer shall have no right to transfer this Agreement, in whole or in part, without the prior written consent of the Company. Additionally, a sale, transfer or assignment requiring the prior written consent of the Company shall be deemed to occur: (i) if Developer is a corporation or limited liability company, upon any assignment, sale, pledge, transfer or increase of any of the voting stock or membership interests of Developer, or any increase in the number of outstanding shares of voting stock or membership interests; or (ii) if Developer is a partnership, upon the assignment, sale, pledge or transfer of any partnership ownership interest. Developer shall notify the Company in advance of any transfer, change in stock ownership, membership interests or partnership ownership interests in Developer while this Agreement is in effect which shall result in a sale, transfer or assignment within the meaning of this Section 7.2. If Developer or its equity owners propose to transfer or assign 20% or more of Developer's interest in this Agreement or in the business conducted under this Agreement or in Developer, or if Developer is a business entity, to any third party in connection with a bona fide offer from such third party, Developer or its equity owners shall first tender to the Company the right of first refusal to acquire such interest in accordance with the provisions and other conditions set forth below, and then if the Company fails to exercise said right, only with the prior written consent of the Company. The Company's consent shall not be unreasonably withheld. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of the Company, shall be null and void and shall constitute a material breach of this Agreement, for which the Company may then terminate this Agreement without opportunity to cure pursuant to Section 6.1 of this Agreement. Developer acknowledges and agrees that each

condition which must be met by the transferee developer is necessary to assure such transferee's full performance of the obligations hereunder. The Company shall not unreasonably withhold its consent to a transfer of this Agreement, or a direct or indirect interest in Developer, or of Developer's business, or of the assets of Developer; provided, however, the Company may, in its sole discretion, require as a condition of its approval that:

7.2.1 All of Developer's accrued monetary obligations to the Company and its parent, predecessor and affiliate and all other outstanding obligations related to the terms and conditions under this Agreement shall have been satisfied;

7.2.2 Developer (and its affiliates and owners) is not in default of any material provision of this Agreement, any amendment hereof or successor hereto, or any other agreement with the Company, or its subsidiaries parent, predecessor and affiliate;

7.2.3 The transferor shall have executed a general release under seal, in a form satisfactory to the Company, of any and all claims against the Company, its parent, predecessor and affiliate and their officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

7.2.4 If the transfer is taking place pursuant to a transfer or sale of a direct or indirect interest in Developer, or of Developer's business, or of the assets of Developer, transferor shall provide the Company with an executed copy of the purchase agreement;

7.2.5 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as the Company may request) shall enter into a written assignment, under seal and in a form satisfactory to the Company, assuming and agreeing to discharge all of Developer's obligations under this Agreement, and all the owners of any interest in Developer shall execute the Company's then-current form of guaranty of Developer's obligations hereunder;

7.2.6 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as the Company may request) shall demonstrate to the Company's satisfaction that the transferee meets the Company's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business contemplated herein (as may be evidenced by prior related business experience or otherwise) and has adequate financial resources and capital to comply with the Development Schedule;

7.2.7 At the Company's option, (i) the transferee (and, if the transferee is other than an individual, such owners of a legal or beneficial interest in

the transferee as the Company may request) shall execute (and/or, upon the Company's request, shall cause all interested parties to execute), for a term ending on the expiration date of this Agreement, the Company's then-current standard form of Agreement, which agreement shall supersede this Agreement in all respects and the terms of which agreement may differ from the terms of this Agreement; provided, however, that the Development Schedule thereunder shall be the same as in this Agreement, and (ii) all owners of an interest in Developer shall execute the Company's then-current form of guaranty of Developer's obligations under the development agreement;

7.2.8 Developer shall remain liable for all obligations of Developer's business prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by the Company to evidence such liability;

7.2.9 Each Franchised Business which has opened and been approved for operation by the Company is in full compliance with all the conditions and terms of the Franchise Agreement for such Franchised Business;

7.2.10 Developer shall pay a transfer fee of Five Thousand Dollars (\$5,000), or such greater amount necessary to reimburse the Company for its legal, accounting, training, and other expenses incurred in connection with the one-time transfer; provided, however, in the case of a transfer to a corporation or limited liability company formed by Developer for the convenience of ownership (i.e. an Assignment pursuant to the Company's then-current form of Agreement, an example of which is attached hereto as Exhibit 6) such fee shall be waived.

7.3 Developer shall use its best efforts in the event it grants a security interest in any of the assets of the business licensed hereunder to cause the secured party to agree that in the event of any default by Developer under any documents related to the security interest, the Company shall have the right and option to be substituted as obligor to the secured party and to cure any default of Developer, it being understood that such right of the Company may be subordinate to the rights of Developer's lenders or landlord.

7.4 For any transfer triggering the Company's right of first refusal pursuant to Section 7.1, the Company or its designated affiliate shall have the right and option, exercisable within thirty (30) days after receipt of written notification, to send written notice to the seller that the Company or its parent, predecessor or affiliate intends to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that the Company or its parent, predecessor or affiliate elects to purchase the seller's interest, no material change in any offer and no other offers by a third party for such interest shall be considered with respect to the Company's right of first refusal. In the event that the Company or its parent, predecessor or affiliate elects to purchase the seller's interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase by the Company or its parent, predecessor or affiliate. In the event that the Company or its parent, predecessor or affiliate has elected not to purchase the seller's interest, any material change in the terms of any offer prior to closing by any third party shall constitute a new offer subject to the

same rights of first refusal by the Company described in this Section 7.1 as in the case of an initial offer. Failure by the Company or its parent, predecessor or affiliate to exercise the option afforded by this Section 7.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 7.4 with respect to a proposed transfer. In the event the consideration, terms, and/or conditions offered by a third party are such that the Company or its designated affiliate may not reasonably be required to furnish the same consideration, terms, and/or conditions, then the Company or its parent, predecessor or affiliate may purchase the interest in the Developer's business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, an independent appraiser shall be designated by mutual agreement of the Company and Developer, and his determination shall be binding. If the Company and Developer cannot agree upon the selection of a single appraiser, then each party shall designate one (1) such appraiser and the two (2) designated appraisers, in turn, shall designate a third party appraiser and the determination of the three (3) appraisers shall be binding.

7.5 Upon the death or mental incompetency of any person with a controlling interest in this Agreement or in Developer, the transfer of which requires the consent of the Company as provided in Section 7.1 hereof, the executor, administrator, personal representative, guardian, or conservator of such person shall transfer such interest within ninety (90) days after such death or mental incompetency to a third party approved by the Company. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 7, the personal representative of the deceased person shall have a reasonable time to dispose of the deceased's interest, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, the Company may terminate this Agreement.

7.6 The Company's consent to any transfer under this Section 7 shall not constitute a waiver of any claims the Company may have against the transferring party, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms of this Agreement by the transferee.

8. COVENANTS

8.1 Developer covenants that during the term of this Agreement, except as otherwise approved in writing by the Company, Developer or, if Developer is a corporation, partnership, or limited liability company, a principal of Developer approved by the Company, shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder, including the establishment and operation of the Franchised Businesses to be developed hereunder.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable confidential information, including, without limitation,

information regarding the site selection and marketing methods and techniques of the Company and the System, and that Developer has the right and obligation under this Agreement to identify sites and develop the Development Area for the benefit of the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by the Company, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

8.2.1 Divert or attempt to divert any business or member of Developer's Franchised Businesses or any franchised business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's Proprietary Marks and the System; or

8.2.2 Own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any business which offers dog daycare and/or boarding (a "Competing Business"). The prohibitions in this Section 8.2.2 shall not apply to interests in or activities performed in connection with a Franchised Business.

8.3 Developer covenants that, except as otherwise approved in writing by the Company, Developer shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or limited liability company, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competing Business that is then, or is intended to be, located at or within:

8.3.1 the Development Area; or

8.3.2 five (5) miles of any franchised business operating under the System and/or utilizing the Proprietary Marks.

8.4 Section 8.3 shall not apply to ownership by Developer of less than a one percent (1%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities and Exchange Act of 1934.

8.5 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.6 Developer understands and acknowledges that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2

and 8.3 in this Agreement or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees to comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13 hereof.

8.7 Developer expressly acknowledges that the existence of any claims which Developer 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 in this Section 8.

8.8 Developer acknowledges that Developer's violation of the terms of this Section 8 would result in irreparable injury to the Company and its parents, affiliates or predecessors for which no adequate remedy at law may be available. Accordingly, the Company shall be entitled to seek equitable and injunctive relief against actual or threatened conduct that shall cause such loss or damages, without the necessity of proving actual damages or posting a bond. In any such action for equitable relief, injunctive relief or specific performance, Developer agrees to pay all court costs and reasonable attorneys' fees incurred by the Company in seeking to prohibit conduct by Developer in violation of the terms of this Section 8.

8.9 With respect to each person who is or becomes associated with Developer in an ownership capacity Developer shall require and obtain such covenants from them and promptly provide the Company with executed copies of such covenant, which are included in the Guaranty that must be executed by them. In no event shall any person enumerated be granted access to any confidential aspect of the System or any Franchised Business prior to execution of such a covenant. Further, in the case of a non-owner, no access shall be granted prior to execution of a confidentiality agreement. Confidentiality covenants shall be in the form attached as Exhibit "5" and shall identify the Company as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by Developer to obtain execution of a covenant required by this Section 8.9, and provide the same to the Company, shall constitute a material breach of this Agreement. Developer shall be liable to the Company for all actions and omissions with respect to the Company's confidential information of Developer's employees and representatives who have access to the Company's confidential information.

9. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be either personally delivered; sent by nationally recognized overnight courier (Ex: FedEx); sent by certified or registered mail, return receipt requested; or sent by email (provided that the sender also sends a copy by certified or registered mail or recognized overnight courier contemporaneously) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party. Notwithstanding the foregoing, Developer's knowledge of a change in the

Company's principal place of business shall be deemed adequate designation of a change and notice shall be sent to the Company's new address.

Notices to the Company:

K-9 FRANCHISING, LLC
43 South Ave. Fanwood, NJ 07023
Attn: CEO

Notices to Developer:

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of email, upon confirmation of receipt (or confirmation of delivery via contemporaneous methods required above, whichever occurs first) or, in the case of overnight courier, on the next business day after mailing, or in the case of registered or certified mail, three (3) business days after the date and time of mailing.

10. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

10.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Developer shall be an independent contractor; and, 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.

10.2 During the term of this Agreement, Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such affirmative action as shall be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place, the content of which the Company reserves the right to specify.

10.3 Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on the Company's behalf, or to incur any debt or other obligation in the Company's name.

10.4 Developer shall indemnify, defend and hold the Company and its parents, affiliates and predecessors and any of their officers, directors, and employees (the "Indemnified Parties") harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with Developer's activities (or omissions), or those of its owners, employees or representatives, and from all costs (including attorney's fees), damages, sums of money, settlements, or judgments. In the settlement of any matter hereunder, in no event shall Developer be permitted to admit fault on behalf of the Indemnified Parties nor to agree to any provision that places any obligations or restrictions on an Indemnified Party (including the payment of any money) without the Indemnified Party's express written consent. At Developer's expense and risk, the Indemnified Party may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim,

demand, inquiry or investigation, provided that the Indemnified Party will seek Developer's advice and counsel and shall keep Developer informed with regard to any such proposed or contemplated settlement(s). Such an undertaking by an Indemnified Party shall in no manner or form diminish Developer's obligation to indemnify the Indemnified Party and to hold the party harmless.

11. APPROVALS AND WAIVERS

11.1 Whenever this Agreement requires the prior approval or consent of the Company, Developer shall make timely written request to the Company therefor; and, except as otherwise provided herein, any approval or consent granted shall be in writing.

11.2 The Company makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, advice, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

11.3 No failure of the Company to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the Company's right to demand exact compliance with any of the terms herein. Waiver by the Company of any particular default by Developer shall not affect or impair the Company's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of the Company to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants hereof, affect or impair the Company's right to exercise the same, nor shall such constitute a waiver by the Company of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by the Company of any payments due to it hereunder shall not be deemed to be a waiver by the Company of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

12. SEVERABILITY AND CONSTRUCTION

12.1 Except as expressly provided to the contrary herein, each section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

12.2 Nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than the Company or Developer and such of their

respective successors and assigns as may be contemplated by Section 7 hereof, any rights or remedies under or by reason of this Agreement, except as expressly provided for herein.

12.3 Developer expressly agrees to be bound by any promise or covenants imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which the Company is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

12.4 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

13. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the Attachments hereto, if any, constitute the entire, full, and complete agreement between the Company and Developer concerning the subject matter hereof and supersede any and all prior agreements. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document furnished to Developer.

14. APPLICABLE LAW AND JURISDICTION

14.1 **Amendments.** THIS AGREEMENT MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM ANY INFORMATION CONTAINED IN THE COMPANY'S FRANCHISE DISCLOSURE DOCUMENT.

14.2 **Choice of Law and Selection of Venue.** This Agreement shall be governed by the laws of the State of New Jersey. Except as provided in Sections 14.4 and 14.5 below, any action at law or equity instituted against either party to this Agreement shall be commenced only in the Courts in the then-current County and State where the Company's corporate headquarters is located. Developer hereby irrevocably consents to the personal jurisdiction of the then-current County and State where the Company's corporate headquarters is located, as set forth above. Any action or proceeding under this Agreement shall be brought on an individual basis, and not on a class-wide or multiple plaintiff basis or as an action where any party hereto acts in a representative capacity, unless prohibited by law.

14.3 **Mediation.** Except for any action brought in accordance with Section 14.4 any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, shall first be

submitted for mediation administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure. If submitted to mediation, the same shall take place before a sole mediator at the office of the AAA located in the then-current County and State where the Company’s corporate headquarters is located. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between the Company and Developer.

14.4 Injunctive Relief. Nothing in this Agreement shall prevent the Company from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions without the necessity of proving actual damages or posting a bond. In any such action for equitable relief, injunctive relief or specific performance, Developer agrees to pay all court costs and reasonable attorneys’ fees incurred by the Company in seeking to prohibit any conduct by Developer.

14.5 Arbitration. Except as set forth in Section 14.4 above, disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, will be submitted to arbitration at the office of the American Arbitration Association (“AAA”) responsible for administering claims filed in the then-current County and State where the Company’s corporate headquarters is located, in accordance with the Commercial Arbitration Rules of the AAA to the extent such rules are not inconsistent with the provisions of this arbitration provision. The Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the law of the state of New Jersey shall apply. The statute of limitations of the state of New Jersey shall be strictly enforced.

The following shall supplement and, in the event of a conflict, shall govern any dispute submitted to arbitration. The parties shall select one arbitrator from the panel provided by the AAA. In selecting the arbitrator from the list provided by the AAA, the Company and Developer shall make the selection by the striking method. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator’s fee, attorneys’ fees, interest, and costs of investigation.

The arbitrator shall have no authority to amend or modify the terms of the Agreement. The Company and Developer further agree that, unless such a limitation is prohibited by applicable law, neither the Company nor Developer shall be liable for punitive or exemplary damages, and the arbitrator shall have no authority to award the same. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Company and Developer.

Judgment upon the award of the arbitrator shall be submitted for confirmation to the applicable United States District Court or the Courts of the then-current County and State where the Company's corporate headquarters is located, and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

14.6 Construction of Language. The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

14.7 Successors. References to the Company or Developer include their successors, assigns or transferees, subject to the limitations of this Agreement.

14.8 Reformation. If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to the Company or its parent, predecessor or affiliate or protection of the Proprietary Marks, or the Confidential Information, including the Confidential Operations Manual and the Company's other trade secrets, is declared invalid or unenforceable, then the Company at its option may terminate this Agreement immediately upon written notice to Developer.

14.9 Force Majeure. Neither the Company, its parent, predecessor or affiliate nor Developer shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause shall extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or shall excuse performance, in whole or in part, as the Company deems reasonable.

14.10 Rights Cumulative. No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided by law or and equity. Each right and remedy will be cumulative.

14.11 PARTIES. THE SOLE ENTITY AGAINST WHICH DEVELOPER MAY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY OR ANY CLAIM IS

AGAINST THE COMPANY OR ITS SUCCESSORS OR ASSIGNS. THE SHAREHOLDERS, MEMBERS, GENERAL MANAGERS, OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THE COMPANY AND OF ITS PARENT, PREDECESSOR AND AFFILIATE SHALL NOT BE NAMED AS A PARTY IN ANY LITIGATION, ARBITRATION OR OTHER PROCEEDINGS COMMENCED BY DEVELOPER IF THE CLAIM ARISES OUT OF OR RELATES TO THIS AGREEMENT.

14.12 LIMITATION OF LIABILITY. TO THE EXTENT PERMITTED BY LAW, IN NO EVENT SHALL THE COMPANY BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER DAMAGES THAT ARE NOT DIRECT DAMAGES, REGARDLESS OF THE NATURE OF THE CLAIM FOR DAMAGES.

14.13 JURY TRIAL WAIVER. THE COMPANY AND DEVELOPER, RESPECTIVELY, WAIVE ANY RIGHT EITHER MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. THE COMPANY AND DEVELOPER, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.

15.

16. ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES

16.1 Developer acknowledges that it received the Company's current Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that it received a completed copy of this Agreement, and all related agreements attached to the Franchise Disclosure Document, with any changes to such agreements unilaterally and materially made by the Company at least seven (7) calendar days prior to the date on which this Agreement and all related agreements were executed.

16.2 Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Executive Order"), the Company is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Executive Order. Accordingly, Developer represents and warrants to the Company that as of the date of this Agreement, neither Developer nor any person holding any ownership interest in Developer, controlled by Developer, or under common control with Developer is designated under the Executive Order as a person with whom business may not be transacted by the Company, and that Developer (i) does not, and hereafter shall not, engage in any terrorist activity; (ii) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (iii) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

16.3 This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed, and delivered this Agreement on the date executed by the Company and listed above as the Effective Date.

DEVELOPER

K-9 FRANCHISING, LLC

**EXHIBIT 1 TO
K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

DEVELOPMENT AREA

The Development Area (pursuant to Section 1.1 of the Multi-Unit Operator Agreement) is the entire area located within the following shaded area:

DEVELOPER

By: _____

DATED: _____

K-9 FRANCHISING, LLC

By: _____
JASON PARKER, CEO

DATED: _____

**EXHIBIT 2 TO
K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

Statement of Ownership Interest

Developer Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: _____
Date of incorporation or formation: _____
State of incorporation or formation: _____

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

<u>Name of Each Director/Manager/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Principal's Name</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal.** Your Operating Principal is _____
_____ (must be one of the individuals listed in paragraph 2 above. You

may not change the Operating Principal without prior written approval. The Operating Principal is the person authorized to receive communications regarding this Agreement).

Address: _____

E-mail Address: _____

DEVELOPER

By: _____

Name:

Title:

Dated: _____

K-9 FRANCHISING, LLC

By: _____

Name:

Title:

Dated: _____

**EXHIBIT 3 TO
K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

Development Schedule/ Development Fee

Type of Resort:

K9 Resorts Luxury Pet Hotel _____

K9 Resorts Boutique Pet Hotel _____

Developer Agrees to develop and open K9 Resorts businesses in the Development Area according to the following schedule:

Number of Businesses to be Opened	Business to be Opened By (Date)	Number of Businesses to be Open and Operating by Opening Date (in previous column)

Development Fee: \$ _____ Dollars

**EXHIBIT 4 TO
K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

GUARANTY

The undersigned persons designated as “Principals” hereby represent to K-9 Franchising, LLC (“Franchisor”) that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, _____ (“Developer”), as the case may be. In consideration of the grant by Franchisor to Developer, as provided under the multi-unit operator agreement dated _____, (the “MUOA”), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing MUOA, that they and each of them do unconditionally guarantee the full and timely performance by Developer of each and every obligation of Developer under the MUOA, including, without limitation, any indebtedness of Developer arising under or by virtue of the MUOA to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Developer owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor’s transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the MUOA including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the MUOA.

EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Principals:

By: _____
Print Name

By: _____
Print Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

**EXHIBIT 5 TO
K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT**

**CONFIDENTIALITY AGREEMENT
(for employees of Developer)**

1. Pursuant to a Multi-Unit Operator Agreement dated _____ (the "MUOA"), _____ (the "Developer") has acquired the right and franchise from K-9 Franchising, LLC (the "Company") to develop K9 Resorts (the "Franchised Business").

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of K9 Resorts Luxury Pet Hotels and Boutique Pet Hotels. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes but is not limited to, proprietary trade secrets, specifications, security protocols, computer hardware and systems, technology and equipment used, methods of business practices and management, research and development, training processes, operational manuals, presentation materials, vendor agreements, supplier lists, vendor lists, marketing and merchandising strategies, plans for new product or service offerings, and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information"). Confidential Information shall also expressly include all customer and franchisee personal and business information that I obtain or have access to during my employment, as well as the confidential information of any other third parties to whom the Company owes a duty of confidentiality. Further, any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. In consideration for my access to the Confidential Information as part of my employment with Developer, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality and Non-Disclosure Agreement (the "Agreement").

4. As an employee of Developer, the Company and/or Developer may disclose the Confidential Information to me via training programs, the Company's Confidential Operations Manuals (the "Manuals"), or the development process during the term of my employment with the Developer.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in performing my duties for Developer during the term of my employment and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third-party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

6. Any work performed by me during my employment with Developer in relation to K9 Resorts or the MUOA and any derivative works created by me using the Confidential Information or any proprietary information of the Company are considered "works made for hire" and I will have no ownership interest in the items created.

7. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of Developer, and will continue not to disclose or use any such information even after I cease to be employed by Developer, unless I can demonstrate that such information has become generally known to the public or easily accessible other than

by the breach of an obligation of Developer under the MUOA, a breach of the employees or associates of Developer, or a breach of my own duties or the duties hereunder.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Developer. I am aware that my violation of this Agreement may cause the Company and Developer irreparable harm; therefore, I acknowledge and agree that Developer and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, without the necessity of proving actual damages or posting a bond, in addition to any other remedies available to them, and I agree to pay Developer and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Developer and the Company, any claim I have against Developer or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This is not a contract for employment and does not guaranty my employment for any set period of time. I agree and understand that Developer is my employer and I have no employment relationship with the Company.

12. Except for an action seeking injunctive or other equitable relief all claims, disputes or controversies that may arise concerning this Agreement, or the construction, performance, or breach of this Agreement, whether based on contract, tort, statute or any other theory, will be submitted to and adjudicated, determined and resolved through compulsory, binding arbitration, unless prohibited by law. Matters shall be decided on an individual basis, and not on a class-wide or multiple plaintiff basis or in an action where any party hereto acts in a representative capacity, unless prohibited by law. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the American Arbitration Association ("AAA") for any action or proceeding arising out of or relating to this Agreement, which will be governed in accordance with its Employment Arbitration Rules, to the extent such rules are not inconsistent with the provisions of this arbitration provision and unless otherwise mutually agreed by the parties or prohibited by law. **The parties agree that any such arbitration will be final and binding and in agreeing to arbitration, the parties understand that they are waiving their respective rights to seek remedies in court, including the right to a jury trial.** In any arbitration, each party is solely responsible for payment of the fees and expenses of his, her or its counsel fees, and each party shall pay their required share of arbitration costs. Notwithstanding any choice of law or other provision herein, the parties agree and acknowledge that the Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the laws of the state of New Jersey shall apply. The statute of limitations of the state of New Jersey shall be strictly enforced. The arbitration shall be conducted in Union County, New Jersey by one (1) arbitrator.

13. In the event any action for equitable relief, injunctive relief or specific performance is filed, or should any action be filed to confirm, modify or vacate any award rendered through compulsory binding arbitration, or otherwise, I hereby irrevocably agree that the forum for any such suit will lie with a court of competent jurisdiction in Union County, New Jersey or the district court for the District of New Jersey and hereby agree to the personal jurisdiction and venue of such court.

14. This Agreement will be binding upon me, my heirs, and personal representatives, and shall inure to the benefit of Company and Developer and any of their affiliates, parents, subsidiaries, successors and assigns. I understand that this Agreement may and will be assigned or transferred to any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I acknowledge that the services to be rendered by me in my employment are unique and personal. Accordingly, I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

15. This Agreement may not be modified except by a written agreement executed by the Parties, which has been approved by the Company.

16. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

Name:
Dated:_____

DEVELOPER

By:_____
Name:
Title:
Dated: _____

EXHIBIT 6 TO
K-9 FRANCHISING, LLC
MULTI-UNIT OPERATOR AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the “**Agreement**”) is made and entered into as of the date this Agreement is executed by Franchisor (the “**Effective Date**”) by and among K9 FRANCHISING LLC, a New Jersey limited liability company having its principal place of business located at 43 South Avenue, Fanwood, NJ 07023 (“**Franchisor**”), _____ (“**Assignor**”), and _____ an individual with an address at _____ (“**Assignee**”).

BACKGROUND

A. Assignor and Franchisor entered into a certain Multi-Unit Operator Agreement dated _____ (the “**MUOA**”) whereby Assignor was given the right and undertook the obligation to develop _____ K9 Resorts Franchised Businesses (the “**Franchised Businesses**”) within the Development Area designated on Exhibit 1 to the MUOA.

B. Assignor has organized and incorporated Assignee for the convenience and sole purpose of developing said Franchised Businesses.

C. Assignor desires to assign the rights and obligations under the MUOA to Assignee pursuant to and in accordance with the provisions of the MUOA.

D. Franchisor is willing to consent to the assignment of the MUOA to Assignee, subject to the terms and conditions of this Agreement, including the agreement by Assignor to guarantee the performance by Assignee of its obligations under the MUOA.

AGREEMENT

In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all right, title and interest in and to the MUOA, effective as of the Effective Date.

2. Assignee hereby assumes all of Assignor’s obligations, agreements, commitments, duties and liabilities under the MUOA, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Developer thereunder with the same force and effect as if the MUOA were originally written with Assignee as Developer.

3. Exhibit A to this Agreement lists all of Assignee’s owners and their interests in Assignee as of the Effective Date. Assignee agrees that it and its owners will sign and deliver to Franchisor a revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

4. The Assignor as an owner of Assignee and in consideration of benefits received and to be received, shall sign and deliver to Franchisor a personal guaranty in the form attached as Exhibit B to this Agreement.

5. Assignor, for himself/herself and his/her agents, servants, employees, partners, members, heirs, predecessors, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which he/she had, from the beginning of time to this date, arising under or in connection with the MUOA.

6. Assignee agrees that the Franchised Businesses which Assignee will develop will be the only businesses Assignee operates (although Assignor may have other, non-competitive business interests);

7. This Agreement shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

8. The governing law and methods of dispute resolution in the MUOA shall govern this Agreement as well.

9. This Agreement, and the documents referenced herein, shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall supersede any prior agreements, verbal or written. This Agreement shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. If Franchisor retains the services of legal counsel to enforce the terms of this Agreement, Franchisor shall be entitled to recover all costs and expenses, including travel, reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

11. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel.

12. The obligations of Assignor and Assignee under this Agreement shall be joint and several.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

ASSIGNOR:

Dated: _____

ASSIGNEE:

By: _____

Name:

Title:

Dated: _____

FRANCHISOR:

K-9 FRANCHISING, LLC

By: _____

Name:

Title:

Dated: _____

**EXHIBIT A TO K-9 FRANCHISING, LLC
ASSUMPTION AND ASSIGNMENT AGREEMENT**

Developer Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: _____
Date of incorporation or formation: _____
State of incorporation or formation: _____

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

<u>Name of Each Director/Manager/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

<u>Principal's Name</u>	<u>Percentage/Description of Interest</u>
(a) _____	_____
(b) _____	_____
(c) _____	_____
(d) _____	_____

3. **Identification of Operating Principal.** Your Operating Principal is _____
_____ (must be one of the individuals listed in paragraph 2 above. You
may not change the Operating Principal without prior written approval. The Operating Principal is
the person authorized to receive communications regarding this Agreement).

Address: _____

E-mail Address: _____

DEVELOPER

By: _____

Name:

Title:

Dated: _____

K-9 FRANCHISING, LLC

By: _____

Name:

Title:

Dated: _____

**EXHIBIT B TO K-9 FRANCHISING, LLC
ASSUMPTION AND ASSIGNMENT AGREEMENT**

GUARANTY

The undersigned persons designated as "Principals" hereby represent to K-9 Franchising, LLC ("Franchisor") that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, _____ ("Developer"), as the case may be. In consideration of the grant by Franchisor to Developer, as provided under the multi-unit operator agreement dated _____, (the "MUOA"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing MUOA, that they and each of them do unconditionally guarantee the full and timely performance by Developer of each and every obligation of Developer under the MUOA, including, without limitation, any indebtedness of Developer arising under or by virtue of the MUOA to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Developer owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor's transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the MUOA including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the MUOA.

EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Principals:

By: _____
Print Name

By: _____
Print Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

Exhibit D

LIST OF FRANCHISEES

K-9 Franchising, LLC

LIST OF FRANCHISEES AND MULTI-UNIT DEVELOPERS

AS OF DECEMBER 31, 2022

Franchisees:

Keith Nicholson
Be Like Corp.
1870 W. Germann Rd.
Chandler, AZ, 85286

Scott Kolble
Fetch Boy LLC
7475 Park Meadows Dr
Lone Tree, CO 80124

Nick Roman
Nicholas Roman Enterprises, Inc.
1409 E. Kimberly Rd.
Davenport, IA 52807

Leroy and Stacie McCarty
McCarty Investment Group Inc.
8200 W. 135th St
Overland Park, KS 66223

Judy Gorski
Bugatti LLC
545 Route 18 South
East Brunswick, NJ 08816

Andy & Darcy Lubalin
Reagan's Friends Pet Care, LLC
1275 Bloomfield Avenue
Fairfield, NJ 07004

Ivan Kaplan & Teresa DeSousa
Happy Puppy LLC
22 Prospect Street
Madison, NJ 07940

Austin Yun
K9 Middletown LLC
889 Route 35 South
Middletown, NJ 07748

Gary and Debbie Hom
GDH Enterprises
21 Route 10
Succasunna, NJ 07876

Luca Blessent and Georgina Ramirez
Argo and Sameen's Legacy
63 US 206
Hillsborough, NJ 08844

Glenn Vogelman
Ritz Barklton Holdings, LLC
1587 Stewart Ave
Westbury, NY 11590
516-584-9119

Lindsey & Laurie Gilbert
GETCOK9
4740 Pan American Fwy NE
Albuquerque, NM 87109

Larkin Combs
Bear Hug Pet Care LLC
1002 Investment Blvd
Apex, NC 27502

Christine & Steve Miller
DoggyDAYZ, LLC
658 Easton Rd
Horsham, PA 19044

Mike Collins
SullyJ, LLC
918 Houston Northcutt Blvd
Mt. Pleasant, SC 29464

James Merli
Best in Show, LLC
1059 N. Okatie Hwy
Ridgeland, SC 29936

Michael Dore*
MCD Associates LLC
12145 Katy Fwy
Houston, TX 77079

Franchisees Who Have Signed Franchise Agreements But Who Were Not Open by December 31, 2022:

Keith Nicholson
Be Like Corp.
1870 W Germann Rd St 100
Chandler, AZ 85286

Max & Dawn Bachman
M&D Adventures, LLC
6914 W. Altamonte Dr.
Rogers, AK 72758

Geoff and Kelli Daniels*
816 E. Dorchester Dr.
St. Johns, FL 32259
2 Units

Brian and Kristina Mackin*
8410 Kenavis Pl.
Odessa, FL 33556
2 Units

Eddie Baim & Ken Myers*
Canine Orlando LLC
512 Eagleton Cove Trail
Palm Beach Gardens, FL 33418
3 Units

Chad Quist (Georgia Location)*
6212 Georgia Avenue,
West Palm Beach, FL 33405
2 Units

Carey and Eric Leichter*
7892 Grande Shores Dr.
Sarasota, FL 34230
4 Units

Nick Roman
Nicholas Roman Enterprises, Inc
16714 River Rd. N
Cordova, IL 61242

Leroy & Stacie McCarty*
McCarty Investment Group Inc
4901 West 157th Terrace

Overland Park, KS 66224
2 Units

Christina Jensen & Walter Easterbrook
Precious Pups, LLC
9904 Bay Court #4
Ocean City, MD 21842

Gary & Debbie Hom
GDH Enterprises
21 State Route 10 E
Succasunna, NJ 07876

Austin Yun*
J2 Enterprises & Chow Wow Resorts LLC
186 Laauwe Ave
Wayne, NJ 07470
2 Units

Luca Blessant
Argo and Sameen's Legacy
63 US 206
Hillsborough, NJ 08844

Judy Gorski*
BugattiG LLC
12 Balmoral Lane
Scotch Plains, NJ 07076
2 Units

Greg & Maria Randazza
94 Hillcrest Dr.
Clark, NJ 07066

Raj and Sonja Batra*
7 Round Hill Rd.
Holmdel, NJ 07737
3 Units

Glenn Vogelmann*
RITZ BARKLTON, LLC
6 Nome Drive
Woodbury, NY 11797
4 Units

Matt and Dan Healey*
Whitehall Advisory Services
37 Whitehall Blvd.
Garden City, NY 11530
2 Units

Glenn Vogelman*
Ritz Barklton Holdings Westchester LLC
6 Nome Drive
Woodbury, NY 11797
2 Units

Veeru and Rawinder Dhillon*
16 Fingal Dr.
Staten Island, NY 10312
7 Units (1 FA signed for NY and 1 signed for FL)

Prasad & Kritika Naik*
103 Caroline Sky Place
Cary, NC 27519
2 Units

Larkin Combs
1002 Investment Blvd
Apex, NC 27502

Melinda Hess
Ohio Pet Resorts Group, Inc
2851 Fairview Dr
Avon, OH 44011

Ryan & Carmen Graff
Graff Canine, LLC
8086 S. Yale Ave, Suite 127
Tulsa, OK 74136

Jagat Podduturi amd Madhu Munthala
1156 William Penn Dr.
Bensalem, PA 19020

Costas and Deb Hrousis
4204 Farmersville Rd.
Bethlehem, PA 18020

Kunal and Taarika Patel
3036 Magdalene Dr.
Chalfont, PA 18914

Christine & Steve Miller
8 Woodside Lane
New Hope, PA 18938

Chris and Marnie Kulp
12 Kinterra Rd.
Wayne, PA 18087

James Merli
Best in Show, LLC
65 Waterfowl Rd.
Bluffton, SC 29910

Mike Collins
Sully J2 LLC
918 Houston Northcutt
Mount Pleasant, SC 29464

Charles Johnson*
Dog Days of TN, Inc
925 Plantation Blvd.
Gallatin, TN 37066
4 Units

Jeff & Lori Gower*
924 Plantation Way
Gallatin, TN
3 Units (1 FA signed for AZ)

Claude J. Bouchard*
4101 Wayfarer Way
Austin TX 78731, 919-931-9519
12 Units (1 FA signed for NC)

Dipak Amthabhai
15247 Maroon Bells Lane
Frisco, TX 75035

Danny and Suzanna Austin
5016 Castle Creek Ct.
Plano, TX 75093

Randy and Gina Schoener*
16218 Lakewood Grove Drive
Tomball, TX 77377
2 Units

David & John Fuess
4217 Reamur Dr.
Dallas, TX 75229

Alex Jarbough
SATX K9, LLC
1816 Eagles Glen Cove
Austin, TX 78732

Angela & Gus Tome*
Cubish Industries LLC
20444 Stonefox Ct.
Leesburg, VA 20175
2 Units

Allen and Sarah Kline
SAK Group Inc
W251N8905 Crestwood Dr.
Sussex, WI 53089

***Multi-Unit Developer**

Exhibit E

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

K-9 Franchising, LLC

LIST OF FRANCHISEES AND MULTI-UNIT DEVELOPERS

WHO LEFT THE SYSTEM IN 2022

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

Transferred Location

Bill Ippolito
Nicholas & Nika, LLC
545 Route 18 South
East Brunswick, NJ 08816

Closed without Opening:

Dennis & Elda McGinley
4 Dogs Inc
11800 SW 112th Ave.
Miami, FL 33176

Traci Peterson
1882 S. Pennsylvania St
Denver, CO 80210

Kimberly Petranick
3403 Mitchell Rd.
Bellevue, NE 68123

Reacquired Location

Heather & David Blevins, Glenn Dowler
K9 Resorts FL, LLC
3381 Fairlane Farms Rd
Wellington, FL 33414

Exhibit F

FINANCIAL STATEMENTS

K-9 Franchising, LLC

EISNERAMPER

K-9 FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021



K-9 FRANCHISING, LLC

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Balance sheets as of December 31, 2022 and 2021	3
Statements of operations for the years ended December 31, 2022 and 2021	4
Statements of changes in member's (deficit) equity for the years ended December 31, 2022 and 2021	5
Statements of cash flows for the years ended December 31, 2022 and 2021	6
Notes to financial statements	7 - 16

INDEPENDENT AUDITORS' REPORT

To the Member and Management of
K-9 Franchising, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of K-9 Franchising, LLC (the "Company") which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in member's (deficit) equity, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of K-9 Franchising, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note A to the financial statements, effective January 1, 2022, the Company adopted new accounting guidance related to accounting for leases in accordance with Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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



"EisnerAmper" is the brand name under which EisnerAmper LLP and Eisner Advisory Group LLC provide professional services. EisnerAmper LLP and Eisner Advisory Group LLC are independently owned firms that practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. EisnerAmper LLP is a licensed CPA firm that provides attest services, and Eisner Advisory Group LLC and its subsidiary entities provide tax and business consulting services. Eisner Advisory Group LLC and its subsidiary entities are not licensed CPA firms.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
April 27, 2023



K-9 FRANCHISING, LLC

Balance Sheets

	December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash	\$ 288,661	\$ 816,400
Royalties receivable, net	188,263	209,030
Due from affiliates, current portion	12,166	658,301
Prepaid expenses	38,254	25,814
Contract asset, franchise costs, current portion	254,335	177,655
Other receivables	-	14,749
	<u>781,679</u>	<u>1,901,949</u>
Total current assets		
Property and equipment, net	105,186	30,478
Due from affiliates, net of current portion	982,238	-
Contract asset, franchise costs, net of current portion	1,729,871	1,274,028
Operating lease right-of-use asset, net	701,011	-
Intangible assets, net	12,624	18,119
	<u>4,312,609</u>	<u>3,224,574</u>
Total assets		
LIABILITIES AND MEMBER'S (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 146,473	\$ 99,390
Current portion of operating lease liability	81,396	-
Contract liabilities, franchise fees, current portion	749,475	822,688
	<u>977,344</u>	<u>922,078</u>
Total current liabilities		
Operating lease liability, net of current portion	636,872	-
Contract liabilities, franchise fees, net of current portion	3,351,821	1,886,959
	<u>4,966,037</u>	<u>2,809,037</u>
Total liabilities		
Commitments and contingencies		
Member's (deficit) equity	<u>(653,428)</u>	<u>415,537</u>
Total liabilities and member's (deficit) equity	<u>\$ 4,312,609</u>	<u>\$ 3,224,574</u>

See accompanying notes to financial statements

K-9 FRANCHISING, LLC

Statements of Operations

	Year Ended December 31,	
	2022	2021
Revenues:		
Franchise fees	\$ 389,737	\$ 231,949
Franchise royalties	1,427,318	779,086
Franchise brand development fees	347,519	199,038
Franchise real estate fees	373,500	175,500
Other franchise services income	187,869	93,747
	2,725,943	1,479,320
Total revenues		
Operating expenses	4,142,744	2,636,344
	(1,416,801)	(1,157,024)
Operating loss		
Other income (expense):		
Other income	33,502	-
Paycheck Protection Program loan forgiveness	-	287,456
Employee retention credit	2,334	75,572
	35,836	363,028
Total other income		
Net loss	\$ (1,380,965)	\$ (793,996)

See accompanying notes to financial statements

K-9 FRANCHISING, LLC

Statements of Changes in Member's (Deficit) Equity

	Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
Member's (deficit) equity:		
Member's equity (deficit), beginning	\$ 415,537	\$ (220,828)
Member's contributions	312,000	1,693,823
Member's distributions	-	(263,462)
Net loss	<u>(1,380,965)</u>	<u>(793,996)</u>
Total member's (deficit) equity	<u>\$ (653,428)</u>	<u>\$ 415,537</u>

K-9 FRANCHISING, LLC

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (1,380,965)	\$ (793,996)
Adjustments to reconcile net loss to net cash used in operating activities:		
Paycheck Protection Program loan forgiveness	-	(287,456)
Depreciation and amortization	11,970	23,399
Non cash lease expense	17,257	-
Bad debt (recovery) expense	(10,879)	(45,852)
(Increase) decrease in:		
Due from affiliates	(336,103)	(203,345)
Prepaid expenses	(12,440)	(19,301)
Royalties receivable	31,646	(57,145)
Other receivables	14,749	-
Contract asset, franchise costs	(532,523)	(266,268)
Increase (decrease) in:		
Accounts payable and accrued expenses	47,083	(37,513)
Contract liabilities, franchise fees	1,391,649	437,601
Net cash used in operating activities	<u>(758,556)</u>	<u>(1,249,876)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(81,183)</u>	<u>(19,130)</u>
Net cash used in investing activities	<u>(81,183)</u>	<u>(19,130)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	148,931
Proceeds from member's contributions	312,000	1,693,823
Member distributions	<u>-</u>	<u>(263,462)</u>
Net cash provided by financing activities	<u>312,000</u>	<u>1,579,292</u>
Net (decrease) increase in cash	(527,739)	310,286
Cash at beginning of year	<u>816,400</u>	<u>506,114</u>
Cash at end of year	\$ <u>288,661</u>	\$ <u>816,400</u>

See accompanying notes to financial statements

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Nature of operations:

K-9 Franchising, LLC (the “Company”) was formed on February 9, 2016 as a New Jersey Limited Liability Company, with the principal place of business in Fanwood, New Jersey. K-9 Franchising, LLC is a successor entity to K-9 Resorts Franchising, LLC which was formed in November 2010. The Company offers and sells franchises for the right to operate “K-9 Resorts” franchises, which are luxury pet care facilities offering dog daycare and boarding services under their proprietary system.

The Company is wholly owned by its parent company, K-9 Holdings, LLC (“Holdings”) and is funded and supported by that entity. Holdings has sufficient capital to meet the current obligations of the Company and to support expected growth.

The Company commenced operations on March 1, 2016, the date of the initial capital contributions to the Company. As of December 31, 2022, there were five (5) corporate owned and operating locations, seventeen (17) operating franchise locations, and forty-two (42) unopened locations with signed agreements in various stages of development and seventy-three (73) additional territories sold as part of a Multi-Unit Development Agreement for a total of one hundred thirty eight (138) territories accounted for. As of **December 31, 2021**, there were four (4) corporate owned and operating locations, eleven (11) operating franchise locations, and thirty-four (34) locations with signed agreements in various stages of development and twenty-seven (27) additional territories sold as part of a Multi-Unit Development Agreement for a total of seventy-six (76) territories accounted for.

[2] Basis of accounting:

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

[3] Concentration of credit risk – cash:

The Company maintains cash balances at several financial institutions which at various times during the year may have exceeded the threshold for insurance provided by the Federal Deposit Insurance Corporation (“FDIC”). The accounts at each institution are insured by the FDIC up to \$250,000.

[4] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

[5] Revenue recognition:

The Company generates revenue from the sale of franchise licenses under various agreements. This initial franchise fee is due at signing and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalty, brand development and real estate fees. From time to time, the Company can charge various other fees as outlined in the Franchise Disclosure Document. See Note B, “Revenue from Contracts with Customers” for further information.

[6] Accounts receivable:

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade accounts. The valuation allowance recorded as of December 31, 2022 **and 2021** was \$21,250 and \$42,500, respectively. Accounts receivable was \$153,812 at January 1, 2021. The valuation allowance was \$47,779 at January 1, 2021.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Property and equipment:

Property and equipment are stated at cost, less accumulated depreciation and amortization. Repairs and maintenance costs are expensed as incurred. Depreciation is provided by using the straight-line method over the useful lives of the assets. Amortization of leasehold improvements is computed over the shorter of the estimated lives of the improvements or the term of the lease, using the straight-line method.

Furniture and equipment	5 - 7 years
Leasehold improvements	5 -10 years

[8] Intangible assets:

In accordance with U.S. GAAP, intangible assets that have finite lives are amortized over their estimated useful lives. The assets are stated at cost and amortized over an estimated useful life of 3 - 15 years. Intangible assets as of December 31, 2022 and 2021 were \$27,684 net of accumulated amortization of \$15,060 and \$9,565, respectively.

[9] Impairment of long-lived assets:

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets consist primarily of property and equipment and intangible assets. Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of fair value less cost to sell. For the years ended December 31, 2022 and 2021, the Company did not recognize any impairment of long-lived assets.

[10] Brand development fund:

The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

[11] Advertising and marketing costs:

Advertising and marketing costs are charged to operations in the year incurred. Advertising costs for the years ended December 31, 2022 and 2021 were \$949,639 and \$633,568, respectively.

[12] Income taxes:

The Company is a single member limited liability company and has elected to be taxed as a disregarded entity for federal and state income tax reporting purposes. As such, income taxes are not payable by, or provided for, the Company. Taxable income is reported by the parent company.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Limited liability company:

Since the Company is a limited liability company ("LLC"), no member, manager, agent, or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent, or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the Company is perpetual. As a limited liability company, each member's liability is limited to amounts reflected in their respective member equity accounts.

[14] Employee retention credit ("ERC"):

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employees. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and expand the qualified wage caps on these credits through December 31, 2021. Under the additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. During the fiscal year 2021, the Company applied for ERC funds and received those funds from the Internal Revenue Service ("IRS"). The Company has elected to account for the ERC funds as a conditional contribution in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605, as further described in Note G. ERC funds were recognized as ERC income in the years ended December 31, 2022 and 2021 as the conditions which they depend on are substantially met.

[15] Recently adopted accounting guidance:

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability amount organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flow arising from leases.

Accordingly, the Company applied the guidance to each lease that had commenced as of the adoption date and also elected a package of practical expedients which included the following: no requirement to reassess (a) whether any expired or existing contracts are, or contain, leases, (b) the lease classification for any expired or existing leases, and (c) the recognition requirements for initial direct costs for any existing leases. The Company excluded short-term leases having initial terms of twelve months or less from the new guidance as an accounting policy election and recognizes rent expense for such leases on a straight-line basis over the lease term. In calculating the related lease liabilities at the time of adoption, the Company utilized historical experience when determining the noncancelable portion of the lease term and elected to use the risk-free rate as the discount rate.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Recently adopted accounting guidance: (continued)

As a result of the adoption of the new lease accounting, the Company recognized on January 1, 2022, an operating lease liability of \$793,983, which represents the present value of the remaining operating lease payments, discounted using the risk-free rate of 1.63%, and a right-of-use asset of \$793,983.

The standard had a material impact on the Company's balance sheet but did not have an impact on its statement of operations, nor cash flows. The most significant impact was the recognition of an ROU asset and lease liability for the operating lease, while the accounting for finance leases remained substantially unchanged.

[16] Leases:

The Company determines if an arrangement is a lease at inception.

Operating leases:

Operating leases are recorded as operating lease ROU assets and operating lease liabilities (current portion and long-term portion) on the accompanying balance sheet. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU assets results in straight-line rent expense over the lease term.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Occupancy lease agreements, in addition to contractual rent payments, generally include additional payments for certain costs incurred by the landlord, such as building expenses and utilities. To the extent these are fixed or determinable, they are included as part of the minimum lease payments used to measure the operating lease liability. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the ROU asset and ROU lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred. The Company's lease agreements do not contain any material residual lease guarantees or material restrictive covenants.

Finance leases:

Finance leases are recorded as finance lease ROU assets and finance lease liabilities (current portion and long-term portion) on the accompanying balance sheets. Finance lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The finance lease ROU assets are amortized on a straight-line basis over the lease term with the related interest expense of the lease liability payment recognized over the lease term using the effective interest method. There were no finance leases recorded at December 31, 2022.

For the year ended December 31, 2021, the Company accounted for leases under ASC 840. Operating leases were recorded on a straight-line basis over the term of the lease. There were no capital leases recorded at December 31, 2021.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[17] Recent accounting pronouncements:

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments (Topic 326), Credit Losses; Measurement of Credit Losses on Financial Instruments*, which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The ASU is effective for the Company for the fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its financial statements.

The Company has evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company follows FASB ASC Topic 606, *Revenue from Contracts with Customers* and Subtopic 952-606, *Franchisors – Revenue from Contracts with Customers*. The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	Year Ended December 31, 2022					Total
	Franchise Fees	Royalty Fees	Brand Development Fees	Real Estate Fees	Other Franchise Service Income	
Performance obligations satisfied at a point in time	\$ 326,437	\$ 1,427,318	\$ 347,519	\$ 373,500	\$ 187,869	\$ 2,662,643
Performance obligations satisfied over time	63,300	-	-	-	-	63,300
Total	\$ 389,737	\$ 1,427,318	\$ 347,519	\$ 373,500	\$ 187,869	\$ 2,725,943

	Year Ended December 31, 2021					Total
	Franchise Fees	Royalty Fees	Brand Development Fees	Real Estate Fees	Other Franchise Service Income	
Performance obligations satisfied at a point in time	\$ 176,250	\$ 779,086	\$ 199,038	\$ 175,500	\$ 93,747	\$ 1,423,621
Performance obligations satisfied over time	55,699	-	-	-	-	55,699
Total	\$ 231,949	\$ 779,086	\$ 199,038	\$ 175,500	\$ 93,747	\$ 1,479,320

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

[1] Franchise fees:

The Company recognizes franchise fees in four (4) parts. The amounts allocated to lease signing, zoning approval, and grand opening costs are earned at a point in time when the services are performed. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee.

[2] Real estate fees:

Real estate fees relate to assistance provided by the Company with site identification, lease negotiation, acquisition, design and construction consultation. These fees are charged separately and are earned at a point in time when services are performed.

[3] Franchise royalties and brand development fees:

The franchise agreements contain variable considerations in the form of royalty and brand development fees. These fees are based on franchisee weekly sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

[4] Other franchise services income:

The Company receives other franchise related income including rebate revenue from vendors for using their services during the year, and technology and other fees as per the franchise agreements. These amounts are earned at a point in time when the services are performed.

[5] Contract assets and liabilities:

Contract assets consist of commissions paid to facilitate the franchise sale and are amortized over the contract life of the franchise agreement (10 years). Commissions recognized during the years ended December 31, 2022 and 2021 that were included in the contract asset balance at the beginning of the year were \$151,947 and \$111,538, respectively. Contract assets were \$1,185,415 as of January 1, 2021.

Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreements as well as initial franchise fees for training and site selection performance obligations that have not yet been performed. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed. Revenue recognized during years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the year were \$376,454 and \$187,300, respectively. Contract liabilities were \$2,272,046 as of January 1, 2021.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 29,274	\$ 17,369
Leasehold improvements	<u>258,025</u>	<u>188,747</u>
	287,299	206,116
Less: accumulated depreciation and amortization	<u>(182,113)</u>	<u>(175,638)</u>
Total	<u>\$ 105,186</u>	<u>\$ 30,478</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$6,475 and \$17,904, respectively.

NOTE D - INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Architectural Development	\$ 14,000	\$ 14,000
Mobile App Development	<u>13,684</u>	<u>13,684</u>
	27,684	27,684
Less: accumulated amortization	<u>(15,060)</u>	<u>(9,565)</u>
Total	<u>\$ 12,624</u>	<u>\$ 18,119</u>

Amortization expense is expected to be as follows:

<u>Year Ending December 31,</u>	
2023	\$ 3,214
2024	933
2025	933
2026	933
2027	933
Thereafter	<u>5,677</u>
	<u>\$ 12,624</u>

K-9 FRANCHISING, LLC

**Notes to Financial Statements
December 31, 2022 and 2021**

NOTE E - LEASES

[1] Operating leases:

The Company maintains an operating lease agreement for its facility from an entity owned by two (2) of K-9 Holdings, LLC's members (the sole member of the Company) which expires February 10, 2024, and may be renewed for two (2) additional three (3) year terms. Monthly base rent for the years ended December 31, 2022 and 2021 was \$7,020 for one month and \$7,371 for eleven months, and \$6,685 for one month and \$7,020 for eleven months, respectively. In addition to the base rent, the lease requires the Company to pay operating expenses including utilities and repairs and maintenance during the lease term. Such amounts are considered variable lease payments and are not included in the operating lease ROU asset or operating lease liability balance and are recognized in the period in which the expenses are incurred. The Company's lease terms include options to extend the lease. The Company is reasonably certain of exercise and are therefore, these are recognized as part of the operating lease ROU asset and operating lease liability balances.

The liability under the Company's operating lease is recorded at the present value of the minimum lease payments. Lease expense relating to the operating lease, consisting of ROU asset amortization and lease liability interest, is included in operating expenses as rent on the accompanying statements of operations.

[2] Additional disclosures:

The following maturity analysis for the annual undiscounted cash flows of the operating lease liability as of December 31, 2022 is approximately as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 92,500
2024	97,125
2025	101,981
2026	107,080
2027	112,434
Thereafter	<u>252,386</u>
	763,506
Less: amount representing interest	<u>(45,238)</u>
	<u>\$ 718,268</u>

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE E - LEASES (CONTINUED)

[2] Additional disclosures: (continued)

	<u>Reported as of December 31, 2022</u>
Current portion of lease liabilities	\$ 81,396
Lease liabilities, net of current portion	<u>636,872</u>
	<u>\$ 718,268</u>

Total rent expense for the year ended December 31, 2022 was \$92,879, which was made up of operating lease costs of \$88,101 and variable costs including utilities and repairs and maintenance. Total rent expense for the year ended December 31, 2021 was \$95,443, which was made up of operating lease costs of \$83,905 and variable costs including utilities and repairs and maintenance.

Year Ended December 31, 2022

Cash paid for amounts included in the measurement of lease liabilities	\$ 88,446
Weighted average remaining lease term in years - operating leases	7.25
Weighted average discount rate - operating leases	1.63%

NOTE F - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company received a Paycheck Protection Program (“PPP”) Loan from the U.S. Small Business Administration (“SBA”) in the amount of \$96,870. In May 2020, the Company received an additional \$41,655 from SBA. In February 2021, the Company received full forgiveness of part of the loan by the SBA in the amount of \$114,255, and in October 2021 received full forgiveness of the remaining balance of \$24,270. During February 2021, the Company received an additional PPP loan of \$148,931 which was fully forgiven in October 2021. In accordance with U.S. GAAP, the total amount of \$287,456 is recognized as other income for the year ended December 31, 2021 in the accompanying statements of operations.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain the PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

NOTE G - EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit (“CARES Employee Retention Credit”), which is a refundable tax credit against certain employment taxes. The Company qualifies for the tax credit under the CARES Act under the additional relief provisions for qualified wages through September 30, 2021. During the year ended December 31, 2021, the Company applied for funds under the program. During the years ended December 31, 2022 and 2021, the Company reported \$2,334 and \$75,572, respectively, related to the CARES Employee Retention Credit which is reported in “Other income – Employee Retention Credit” in the accompanying statements of operations.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE H - RELATED PARTIES

K-9 Holdings, LLC ("Holdings") was formed in January 2016 and holds the proprietary marks of the System, including designs, décor and color schemes, distinctive specifications for furniture, fixtures and equipment, and wall, ceiling, and display designs, know-how, training techniques, and other procedures for operation and management of System businesses. Holdings is the sole member of the Company and does not offer franchises in this or any other line of business. The Company had a receivable from Holdings of \$511,235 and \$306,785 as of December 31, 2022 **and 2021**, respectively.

K-9 Resorts, LLC owns and operates one business of the type being franchised, which has been in operation since 2005. It has never offered franchises in this or any other line of business. K-9 Resorts, LLC owed the Company \$61,660 and \$55,860 as of December 31, 2022 **and 2021**, respectively.

K-9 Hamilton, NJ, a franchise that was repurchased by K-9 Holdings, LLC, owed the Company \$480,681 and \$257,427 as of December 31, 2022 **and 2021**, respectively.

K-9 Cherry Hill, NJ, a franchise that was repurchased by K-9 Holdings, LLC, owed the Company \$8,750 and \$25,276 for amounts relating to activity prior to the repurchase, as of December 31, 2022 and 2021, respectively. In addition, the Company owes K-9 Resorts Cherry Hill \$71,338 as of December 31, 2022.

The Company also has amounts due from three (3) other related entities with operating franchises totaling \$3,416 and \$12,953 as of December 31, 2022 and 2021, respectively.

NOTE I - SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2022 (the financial statement date) through April 27, 2023, the date that the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

EISNERAMPER

K-9 FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



K-9 FRANCHISING, LLC

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Balance sheets as of December 31, 2021 and 2020	3
Statements of operations for the years ended December 31, 2021 and 2020	4
Statements of changes in member's equity (deficit) for the years ended December 31, 2021 and 2020	5
Statements of cash flows for the years ended December 31, 2021 and 2020	6
Notes to financial statements	7 - 14

INDEPENDENT AUDITORS' REPORT

To the Member and Management of
K-9 Franchising, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of K-9 Franchising, LLC (the "Company") which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in member's equity (deficit), and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of K-9 Franchising, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



"EisnerAmper" is the brand name under which EisnerAmper LLP and Eisner Advisory Group LLC provide professional services.

EisnerAmper LLP and Eisner Advisory Group LLC are independently owned firms that practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. EisnerAmper LLP is a licensed CPA firm that provides attest services, and Eisner Advisory Group LLC and its subsidiary entities provide tax and business consulting services. Eisner Advisory Group LLC and its subsidiary entities are not licensed CPA firms.

In performing an audit in accordance with GAAS, we:

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

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

EisnerAmper LLP

EISNERAMPER LLP
Fort Lauderdale, Florida
April 22, 2022



K-9 FRANCHISING, LLC

Balance Sheets

	December 31,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 816,400	\$ 506,114
Royalties receivable, net	209,030	106,033
Due from affiliates	658,301	454,956
Prepaid expenses	25,814	6,513
Contract asset, franchise costs, current portion	177,655	117,934
Other receivables	14,749	14,749
	<u>1,901,949</u>	<u>1,206,299</u>
Property and equipment, net	30,478	29,252
Contract asset, franchise costs, net of current portion	1,274,028	1,067,481
Intangible assets, net	18,119	23,614
	<u>3,224,574</u>	<u>2,326,646</u>
	<u>\$ 3,224,574</u>	<u>\$ 2,326,646</u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 99,390	\$ 136,903
Note payable, Paycheck Protection Program	-	138,525
Contract liabilities, franchise fees, current portion	822,688	539,911
	<u>922,078</u>	<u>815,339</u>
Contract liabilities, franchise fees, net of current portion	1,886,959	1,732,135
	<u>2,809,037</u>	<u>2,547,474</u>
Commitments and contingencies (Note E)		
Member's equity (deficit)	415,537	(220,828)
	<u>415,537</u>	<u>(220,828)</u>
Total liabilities and member's equity (deficit)	<u>\$ 3,224,574</u>	<u>\$ 2,326,646</u>

See accompanying notes to financial statements

K-9 FRANCHISING, LLC

Statements of Operations

	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
Revenues:		
Franchise fees	\$ 231,949	\$ 149,904
Franchise royalties	779,086	309,366
Franchise brand development fees	199,038	105,459
Franchise real estate fees	175,500	78,000
Other franchise services income	93,747	23,893
	<u>1,479,320</u>	<u>666,622</u>
Total revenues		
	<u>1,479,320</u>	<u>666,622</u>
Operating expenses	<u>2,636,344</u>	<u>2,223,649</u>
Operating loss	<u>(1,157,024)</u>	<u>(1,557,027)</u>
Other income:		
Paycheck Protection Program loan forgiveness	287,456	-
Employee retention credit	75,572	-
	<u>363,028</u>	<u>-</u>
Total other income		
	<u>363,028</u>	<u>-</u>
Net loss	<u>\$ (793,996)</u>	<u>\$ (1,557,027)</u>

See accompanying notes to financial statements

K-9 FRANCHISING, LLC

Statements of Changes in Member's Equity (Deficit)

	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
Member's equity (deficit):		
Member's equity (deficit), beginning	\$ (220,828)	\$ 75,995
Member's contributions	1,693,823	1,341,667
Member's distributions	(263,462)	(81,463)
Net loss	<u>(793,996)</u>	<u>(1,557,027)</u>
Total member's equity (deficit)	<u>\$ 415,537</u>	<u>\$ (220,828)</u>

K-9 FRANCHISING, LLC

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (793,996)	\$ (1,557,027)
Adjustments to reconcile net loss to net cash used in operating activities:		
Paycheck Protection Program loan forgiveness	(287,456)	-
Depreciation and amortization	23,399	37,053
Bad debt (recovery) expense	(45,852)	229,534
(Increase) decrease in:		
Due from affiliates	(203,345)	(225,582)
Prepaid expenses	(19,301)	4,226
Royalty receivable	(57,145)	(168,260)
Contract asset, franchise costs	(266,268)	(275,066)
Other receivable	-	(9,749)
Increase (decrease) in:		
Accounts payable and accrued expenses	(37,513)	(113,573)
Contract liabilities, franchise fees	437,601	591,796
Net cash used in operating activities	<u>(1,249,876)</u>	<u>(1,486,648)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(19,130)	(10,250)
Purchases of intangible assets	-	(13,684)
Net cash used in investing activities	<u>(19,130)</u>	<u>(23,934)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	148,931	138,525
Proceeds from member's contributions	1,693,823	1,341,667
Member distributions	(263,462)	(81,463)
Net cash provided by financing activities	<u>1,579,292</u>	<u>1,398,729</u>
Net increase (decrease) in cash	310,286	(111,853)
Cash at beginning of year	<u>506,114</u>	<u>617,967</u>
Cash at end of year	<u>\$ 816,400</u>	<u>\$ 506,114</u>

See accompanying notes to financial statements

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Nature of operations:

K-9 Franchising, LLC (the "Company") was formed on February 9, 2016 as a New Jersey Limited Liability Company, with the principal place of business in Fanwood, New Jersey. K-9 Franchising, LLC is a successor entity to K-9 Resorts Franchising, LLC which was formed in November 2010. The Company offers and sells franchises for the right to operate "K-9 Resorts" franchises, which are luxury pet care facilities offering dog daycare and boarding services under their proprietary system.

The Company is wholly owned by its parent company, K-9 Holdings, LLC ("Holdings") and is funded and supported by that entity. Holdings has sufficient capital to meet the current obligations of the Company and to support expected growth.

The Company commenced operations on March 1, 2016, the date of the initial capital contributions to the Company. As of December 31, 2021, there were four (4) corporate owned and operating locations, eleven (11) operating franchise locations, and thirty-four (34) unopened locations with signed agreements in various stages of development and twenty-seven (27) additional territories sold as part of a Multi-Unit Development Agreement for a total of seventy-six (76) territories accounted for. As of December 31, 2020, there were two (2) corporate owned and operating locations, ten (10) operating franchise locations, and fifty-two (52) locations with signed agreements in various stages of development for a total of sixty-four (64) territories accounted for.

[2] Basis of accounting:

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

[3] Concentration of credit risk – cash:

The Company maintains cash balances at several financial institutions which at various times during the year may have exceeded the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). The accounts at each institution are insured by the FDIC up to \$250,000.

[4] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

[5] Revenue recognition:

The Company generates revenue from the sale of franchise licenses under various agreements. This initial franchise fee is due at signing and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalty, brand development and real estate fees. From time to time, the Company can charge various other fees as outlined in the Franchise Disclosure Document. See Note B, "Revenue from Contracts with Customers" for further information.

[6] Accounts receivable:

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade accounts. The valuation allowance recorded as of December 31, 2021 and 2020 was \$42,500 and \$47,779, respectively.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Property and equipment:

Property and equipment are stated at cost, less accumulated depreciation and amortization. Repairs and maintenance costs are expensed as incurred. Depreciation is provided by using the straight-line method over the useful lives of the assets. Amortization of leasehold improvements is computed over the shorter of the estimated lives of the improvements or the term of the lease, using the straight-line method.

Furniture and equipment	5 - 7 years
Leasehold improvements	5 years

[8] Intangible assets:

In accordance with U.S. GAAP, intangible assets that have finite lives are amortized over their estimated useful lives. The assets are stated at cost and amortized over an estimated useful life of 3 - 15 years. Intangible assets as of December 31, 2021 and 2020 were \$27,684 net of accumulated amortization of \$9,565 and \$4,070, respectively.

[9] Impairment of long-lived assets:

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets consist primarily of property and equipment and intangible assets. Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. For the years ended December 31, 2021 and 2020, the Company did not recognize any impairment of long-lived assets.

[10] Brand development fund:

The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

[11] Advertising and marketing costs:

Advertising and marketing costs are charged to operations in the year incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$633,568 and \$345,748, respectively.

[12] Income taxes:

The Company is a single member limited liability company and has elected to be taxed as a disregarded entity for federal and state income tax reporting purposes. As such, income taxes are not payable by, or provided for, the Company. Taxable income is reported by the parent company.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Limited liability company:

Since the Company is a limited liability company ("LLC"), no member, manager, agent, or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent, or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the Company is perpetual. As a limited liability company, each member's liability is limited to amounts reflected in their respective member equity accounts.

[14] Employee retention credit ("ERC"):

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employees. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and expand the qualified wage caps on these credits through December 31, 2021. Under the additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. During the fiscal year 2021, the Company applied for ERC funds and received those funds from the Internal Revenue Service ("IRS"). The Company has elected to account for the ERC funds as a conditional contribution in accordance with FASB ASC 958-605, as further described in Note G. ERC funds will be recognized as ERC income as the conditions which they depend on are substantially met.

[15] Reclassifications:

Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income.

[16] Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. In July 2018, the FASB issued ASU No. 2018-11, *Leases: Targeted Improvements*, which provides an entity with the option to apply the transition provisions of the new standard at its adoption date instead of at its earliest comparative period presented. ASU 2016-02 also provides an entity with a practical expedient that permits lessors to not separate nonlease components from the associated lease component if certain conditions are met. ASU 2016-02, as amended by ASU 2018-11, is effective for fiscal years beginning after December 15, 2021. Management has adopted the new standard as of January 1, 2022 using a modified retrospective approach to which they anticipate will result in a material asset and liability recorded on the balance sheets.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments (Topic 326), Credit Losses; Measurement of Credit Losses on Financial Instruments*, which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The ASU is effective for the Company for the fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluation the impact of this ASU on its financial statements.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Recent accounting pronouncements: (continued)

The Company has evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company follows FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* and Subtopic 952-606, *Franchisors – Revenue from Contracts with Customers*. The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	Year Ended December 31, 2021					
	Franchise Fees	Royalty Fees	Brand Development Fees	Real Estate Fees	Other Franchise Services Income	Total
Performance obligations satisfied at a point in time	\$ 176,250	\$ 779,086	\$ 199,038	\$ 175,500	\$ 93,747	\$ 1,423,621
Performance obligations satisfied over time	55,699	-	-	-	-	55,699
Total	\$ 231,949	\$ 779,086	\$ 199,038	\$ 175,500	\$ 93,747	\$ 1,479,320

	Year Ended December 31, 2020					
	Franchise Fees	Royalty Fees	Brand Development Fees	Real Estate Fees	Other Franchise Services Income	Total
Performance obligations satisfied at a point in time	\$ 106,339	\$ 309,366	\$ 105,459	\$ 78,000	\$ 23,893	\$ 623,057
Performance obligations satisfied over time	43,565	-	-	-	-	43,565
Total	\$ 149,904	\$ 309,366	\$ 105,459	\$ 78,000	\$ 23,893	\$ 666,622

[1] Franchise fees:

The Company recognizes franchise fees in four (4) parts. The amounts allocated to lease signing, zoning approval, and grand opening costs are earned at a point in time when the services are performed. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee.

[2] Real estate fees:

Real estate fees relate to assistance provided by the Company with site identification, lease negotiation, acquisition, design and construction consultation. These fees are charged separately and are earned at a point in time when services are performed.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

[3] Franchise royalties and brand development fees:

The franchise agreements contain variable considerations in the form of royalty and brand development fees. These fees are based on franchisee weekly sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

[4] Other franchise services income:

The Company receives other franchise related income including rebate revenue from vendors for using their services during the year, and technology and other fees as per the franchise agreements. These amounts are earned at a point in time when the services are performed.

[5] Contract assets and liabilities:

Contract assets consist of commissions paid to facilitate the franchise sale and are amortized over the contract life of the franchise agreement (10 years). Commissions recognized during the years ended December 31, 2021 and 2020 that were included in the contract asset balance at the beginning of the year were \$111,538 and \$68,549, respectively.

Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreements as well as initial franchise fees for training and site selection performance obligations that have not yet been performed. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed. Revenue recognized during years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the year were \$187,300 and \$128,310, respectively.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 17,369	\$ 17,369
Leasehold improvements	<u>188,747</u>	<u>169,617</u>
	206,116	186,986
Less accumulated depreciation and amortization	<u>(175,638)</u>	<u>(157,734)</u>
Total	<u>\$ 30,478</u>	<u>\$ 29,252</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$17,904 and \$33,839, respectively.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE D - INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Architectural Development	\$ 14,000	\$ 14,000
Mobile App Development	<u>13,684</u>	<u>13,684</u>
	27,684	27,684
Less accumulated amortization	<u>(9,565)</u>	<u>(4,070)</u>
Total	<u>\$ 18,119</u>	<u>\$ 23,614</u>

Amortization expense is expected to be as follows:

<u>Year Ending December 31,</u>	
2022	\$ 5,495
2023	3,214
2024	933
2025	933
2026	933
Thereafter	<u>6,611</u>
	<u>\$ 18,119</u>

NOTE E - COMMITMENTS AND CONTINGENCIES

[1] Leases:

The Company leases its facility from an entity owned by two (2) of K-9 Holdings, LLC's members (the sole member of the Company) which expires February 10, 2024. Rent expense for the years ended December 31, 2021 and 2020 was \$83,811 and \$74,002, respectively.

The Company also leases office equipment under a non-cancelable operating lease, expiring in 2022.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE E - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[1] Leases: (continued)

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2022	\$ 88,095	\$ 952	\$ 89,047
2023	92,500	-	92,500
2024	<u>7,739</u>	<u>-</u>	<u>7,739</u>
	<u>\$ 188,334</u>	<u>\$ 952</u>	<u>\$ 189,286</u>

In accordance with U.S. GAAP, rental payments are recognized on a straight-line basis over the term of the lease. The difference between actual rent paid and the expense charged is an increase or decrease to current liabilities in the accompanying balance sheets.

[2] Other:

The extent of the impact of the coronavirus (“COVID-19”) outbreak on the financial performance of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period of time, the Company’s results of operations may be materially adversely affected.

NOTE F - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company received a Paycheck Protection Program (“PPP”) Loan from the U.S. Small Business Administration (“SBA”) in the amount of \$96,870. In May 2020, the Company received an additional \$41,655 from SBA. In February 2021, the Company received full forgiveness of part of the loan by the SBA in the amount of \$114,255, and in October 2021 received full forgiveness of the remaining balance of \$24,270. During February 2021, the Company received an additional PPP loan of \$148,931 which was fully forgiven in October 2021. In accordance with U.S. GAAP, the total amount of \$287,456 is recognized as other income for the year ended December 31, 2021 in the accompanying statements of operations.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain the PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

K-9 FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE G - EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit (“CARES Employee Retention Credit”), which is a refundable tax credit against certain employment taxes. The Company qualifies for the tax credit under the CARES Act under the additional relief provisions for qualified wages through September 30, 2021. During the year ended December 31, 2021, the Company applied for and received \$75,572 related to the CARES Employee Retention Credit which is reported in “Other income – Employee Retention Credit” in the accompanying statements of operations.

NOTE H - RELATED PARTIES

K-9 Holdings, LLC (Holdings) was formed in January 2016 and holds the proprietary marks of the System, including designs, décor and color schemes, distinctive specifications for furniture, fixtures and equipment, and wall, ceiling, and display designs, know-how, training techniques, and other procedures for operation and management of System businesses. Holdings is the sole member of the Company and does not offer franchises in this or any other line of business. The Company had a receivable from Holdings of \$306,785 and \$144,361 as of December 31, 2021 and 2020, respectively.

K-9 Resorts, LLC owns and operates one business of the type being franchised, which has been in operation since 2005. It has never offered franchises in this or any other line of business. K-9 Resorts, LLC owed the Company \$55,860 and \$44,804 as of December 31, 2021 and 2020, respectively.

K-9 Hamilton, NJ, a franchise that was repurchased by K-9 Holdings, LLC, owed the Company \$257,427 and \$227,329 as of December 31, 2021 and 2020, respectively.

3710 Quakerbridge Road, LLC, which owns the real estate for K-9 Hamilton, NJ and is owned by K-9 Holdings, LLC, owed the Company \$- and \$38,462 as of December 31, 2021 and 2020.

K-9 Cherry Hill, NJ, a franchise that was repurchased by K-9 Holdings, LLC, owed the Company \$25,276 and \$- as of December 31, 2021 and 2020, respectively.

The Company also has amounts due from two (2) other related entities with operating franchises totaling \$12,953 and \$- as of December 31, 2021 and 2020, respectively.

NOTE I - SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2021 (the financial statement date) through April 22, 2022, the date that the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

Exhibit G

TABLE OF CONTENTS-OPERATIONS MANUAL

K-9 Franchising, LLC



K9 RESORTS

LUXURY PET HOTEL

K9 RESORTS OPERATIONS MANUAL TABLE OF CONTENTS

SECTION 1 - INTRODUCTION - 16 Pages

- 1.1 - LETTER FROM THE OWNERS
- 1.2 - ABOUT K9 RESORTS
- 1.3 - VISION STATEMENT
- 1.4 - FRANCHISEE RESPONSIBILITIES
- 1.5 - VISITS TO YOUR RESORT
- 1.6 - FORMING A BUSINESS ENTITY
- 1.7 - INSURANCE REQUIREMENTS
- 1.8 - BANKING REQUIREMENTS
- 1.9 - TAX REQUIREMENTS
- 1.10 – REVENUE REPORTING AND ROYALTY COLLECTION
- 1.11 - ACCOUNTING
- 1.12 – FUNDING

SECTION 2- SITE SELECTION, ZONING, CONSTRUCTION – 19 Pages

- 2.1 - SITE SELECTION INTRODUCTION
- 2.2 - GENERAL SITE CRITERIA
- 2.3 - DRIVING THE MARKET
- 2.4 - LETTER OF INTENT (LOI)
- 2.5 - LEASE DRAFTING NEGOTIATIONS
- 2.6 - RECEIVING APPROVALS
- 2.7 - ZONING - LAND USE
- 2.8 – CONSTRUCTION
- 2.9 – BIDDING
- 2.10 - BUILDING YOUR SITE
- 2.11 - SPECIFICS TO YOUR K9 RESORT
- 2.12 - FURNITURE, FIXTURES, AND EQUIPMENT
- 2.13 - SUPPLIES
- 2.14 – SIGNAGE

SECTION 3 – MARKETING – 32 Pages

- 3.1 - PRE-OPENING MARKETING
- 3.2 - PRE-GRAND OPENING CLEANING
- 3.3 - GUIDE FOR GRAND OPENING
- 3.4 - OPEN HOUSE EVENTS
- 3.5 - GRASSROOTS EVENTS
- 3.6 - ONGOING MARKETING
- 3.7 – SOCIAL MEDIA GUIDELINES
- 3.8 - COMMUNITY INVOLVEMENT
- 3.9 - CORPORATE APPROVAL AND SPENDING REQUIREMENTS
- 3.10 - REPUTATION MANAGEMENT
- 3.11 – AWARDS
- 3.12 – MEDIA INQUIRIES



K9 RESORTS

LUXURY PET HOTEL

SECTION 4 – HUMAN RESOURCES – 42 Pages

- 4.1 - EMPLOYEE HANDBOOK
- 4.2 - JOB DESCRIPTIONS
- 4.3 - EMPLOYEE RECRUITMENT - INTRO
- 4.4 - EMPLOYEE RECRUITMENT - GAINING INTEREST
- 4.5 - PHONE INTERVIEWS
- 4.6 - IN PERSON INTERVIEW
- 4.7 - REFERENCE CHECK
- 4.8 - BACKGROUND CHECKS
- 4.9 – MAKING THE JOB OFFER
- 4.10 – STARTING WAGES
- 4.11 – EMPLOYEE COUNT
- 4.12 - PROBATIONARY PERIOD
- 4.13 - EMPLOYMENT FORMS
- 4.14 - DEVELOPING A WORK SCHEDULE
- 4.15 - HIRING TIMELINE
- 4.16 - TRAINING YOUR EMPLOYEES
- 4.17 - PERFORMANCE REVIEWS
- 4.18 - DISCIPLINARY ACTION
- 4.19 - TERMINATION OF EMPLOYMENT

SECTION 5 – RESORT BASICS – 61 Pages

- 5.1 - CORE VALUES
- 5.2 - GUEST PROMISES
- 5.3 – MISSION STATEMENT
- 5.4 – HOURS OF OPERATIONS
- 5.5 - POSITIONS & CHAIN OF COMMAND
- 5.6 - DRESS CODE
- 5.7 - RADIOS
- 5.8 - PROFESSIONAL LANGUAGE
- 5.9 - RESORT PATH
- 5.10 - SHIFT CHANGES & LOCATION ROTATION
- 5.11 - GUEST BELONGINGS
- 5.12 - LEASHES, HARNESSSES, COLLARS, MUZZLES
- 5.13 - COLLAR SYSTEM
- 5.14 - WALKING DOGS
- 5.15 - LEASH AGGRESSIVE DOGS
- 5.16 - CARRYING TECHNIQUES
- 5.17 - MOVE RESISTANT DOGS
- 5.18 - BASIC SAFETY
- 5.19 - HANDLING CHEMICALS
- 5.20 - CLIENT SAFETY
- 5.21 - WHEN TO TURN A DOG AWAY
- 5.22 - DOOR AND FENCE SAFETY
- 5.23 - SERVICES & ACCOMMODATIONS
- 5.24 – TEMPERATURE POLICY
- 5.25 – INTACT MALE DOGS
- 5.26 - LOCKING ACCOMMODATION DOORS
- 5.27 - DAILY CHECKLISTS



K9 RESORTS

LUXURY PET HOTEL

- 5.28 - POD PASS THROUGH
- 5.29 - BODY EXAM
- 5.30 - RED BINDER
- 5.31 – FOOD AND DRINK POLICY
- 5.32 – USE OF CELLPHONES
- 5.33 – MANAGER ON DUTY (MOD)
- 5.34 – FORMS OF PAYMENT
- 5.35 – ONE DOG IN THE LOBBY
- 5.36 – EMPLOYEE DISCOUNT
- 5.37 – DAYCARE BREED POLICY
- 5.38 – EPILEPSY / SEIZURES
- 5.39 – BUILDING MAINTENANCE CHECKLIST
- 5.40 - REQUIRED VENDORS

SECTION 6 – FRONT END OPERATIONS – 72 Pages

EVERY CUSTOMER, EVERY TIME (ECET)

- 6.1 - GUEST SERVICE
- 6.2 - EMPOWERING YOUR EMPLOYEES
- 6.3 - GUEST FEEDBACK AND HANDLING CONCERNS
- 6.4 – WHEN TO COVER VET BILLS
- 6.5 – INTERJECTION AT THE FRONT DESK (a.k.a. Pat on the back)
- 6.6 – “FIRING” A CLIENT
- 6.7 – TOURS
- 6.9 - FRONT DESK POSITIONS
- 6.10 - PHONE ETIQUETTE & SCRIPTS
- 6.11 - ROOM – RATE, SIZE, CAPACITY
- 6.12 - TRIAL STAY
- 6.13 - GUEST FEEDBACK
- 6.14 – RESORT HOUSE FOOD
- 6.15 - FOOD AND FEEDING SCALE
- 6.16 - GUEST PROVIDED FOOD AND MEDICATION
- 6.17 - FEEDING PROCEDURES
- 6.18 – VACCINATIONS
- 6.19 - INTRODUCTION TO PHARMACOLOGY
- 6.20 - ADMINISTERING MEDICATION
- 6.21 - PRE-CHECKOUT PROCEDURE FOR BOARDING DOGS
- 6.22 - HAPPINESS & HEALTH WALKTHROUGHS
- 6.23 - PERFORMING PLAYTIMES
- 6.24 - INCLEMENT WEATHER
- 6.25 - MONITORING BATHROOM HABITS
- 6.26 - CHECKING DAYCARE BOARD
- 6.27 – FRESH N CLEAN AFTER DAYCARE
- 6.28 - DAYCARE - PLAYTIME
- 6.29 - PET CARE RECOMMENDATIONS
- 6.31 - DONATION REQUEST
- 6.32 - END OF DAY (EOD) REPORTING
- 6.33 - THANK YOUR FANS
- 6.34 – THANK YOU CARDS



K9 RESORTS

LUXURY PET HOTEL

SECTION 7 – SANITATION – 28 Pages

- 7.1 – CHEMICALS
- 7.2 – CLEANING, SANITIZING, AND DISINFECTING
- 7.3 – MOPPING TECHNIQUE
- 7.4 - MOP HEAD LONGEVITY
- 7.5 - SPOT CLEANING
- 7.6 – DAILY ROOM CLEANING
- 7.7 - ROOM DISINFECTING – CAGE FREE ACCOMMODATIONS
- 7.8 - ROOM DISINFECTING – COMPARTMENTS
- 7.9 - FOAMER OPERATION
- 7.10 - CLEANING/DISINFECTING K9 GRASS
- 7.11– CLEANING/ DISINFECTING PRIVATE PLAY YARDS
- 7.12 - CLEANING /DISINFECTING FENCING
- 7.13 - DISINFECTING PARKING LOT
- 7.14 – BATHROOM CLEANING
- 7.15 – KITCHEN CLEANING
- 7.16 – CUBBY CLEANING
- 7.17 – WINDOW CLEANING
- 7.18 - DISINFECTING LEADS
- 7.19 – DISINFECTING BOOTS AND APRONS
- 7.20 – DISINFECTING FOOD BOWLS
- 7.21 – DISINFECTING FOOD CART
- 7.22 – DISINFECTING WATER JUGS
- 7.23 – DISINFECTING DOG DRYERS
- 7.24 – SOLID AND LIQUID WASTE
- 7.25 - INDOOR GARBAGE REMOVAL
- 7.26 - HAIR INTERCEPTOR

SECTION 8 – DAYCARE – 15 Pages

- 8.1 – DAYCARE RULES
- 8.2 – ENTERING DAYCARE / SHIFT CHANGE
- 8.3 - TIMEOUTS – DAYCARE TECH
- 8.4 - TIMEOUTS – FRONT END
- 8.5 – CLEANING DURING DAYCARE SHIFTS
- 8.6 – PERFORMING EVALUATIONS
- 8.7 – DAYCARE PICK-UPS
- 8.8 – GATES AND GARAGE DOORS
- 8.9 – DESENSITIZATION
- 8.10 – BROOMS IN DAYCARE
- 8.11 – TEMPERATURE POLICY

SECTION 9 – BATHING – 16 Pages

- 9.1 – BATHING OVERVIEW
- 9.2 – DRYER OPERATIONS
- 9.3 - SHAMPOO & PERFUME
- 9.4 – BATHING
- 9.5 – BRUSHING
- 9.6 – TOWEL DRY



K9 RESORTS

LUXURY PET HOTEL

- 9.7 – BLOW DRYER
- 9.8 – EAR AND EYE WIPE
- 9.9 – COTTON FOR EARS
- 9.10 – QUICK RELEASE KNOT
- 9.11 – BATHING ROOM CLEANING

Section 10 – Red Binder – 60 Pages

- 10.0 - OVERVIEW
- 10.1 - K9 RESORTS BRAND EMERGENCY CALL LIST
- 10.2 - RESORT TEAM MEMBERS
- 10.3 - COMMUNITY CONTACT LIST
- 10.4 - EMERGENCY COMMUNICATION PROTOCOL
- 10.5 - INCIDENT COMMUNICATION PROTOCOL
- 10.6 - DOG RELATED EMERGENCY
- 10.7 - BREAKING UP A DOG FIGHT (NO-CONTACT)
- 10.8 - BREAKING UP A DOG FIGHT (CONTACT)
- 10.9 - CHEMICAL SPILL
- 10.10 - DOG BITE
- 10.11 - DOG ESCAPES
- 10.12 - EVACUATION PROCEDURE
- 10.13 - EXTENDED POWER LOSS
- 10.14 - LOSS OF HVAC SYSTEMS
- 10.15 - FIRE
- 10.16 - MEDICAL EMERGENCY
- 10.17 - INCLEMENT WEATHER
- 10.18 - SEVERE WEATHER
- 10.19 - SHELTER IN PLACE
- 10.20 - SUSPICIOUS PERSONS
- 10.21 - BLOAT
- 10.22 - ABRASIONS (SCRAPES)
- 10.23 - LACERATIONS/BITE WOUNDS
- 10.24 - CRACKED/TORN NAILS
- 10.25 - INSECT STING/SPIDER BITE
- 10.26 - TICKS
- 10.27 - EYE TRAUMA
- 10.28 - EYE ISSUE - MILD
- 10.29 - LIMPING OR UNSTEADINESS
- 10.30 - CRUCIATE LIGAMENT TEAR
- 10.31 - VOMITING
- 10.32 - DIARRHEA
- 10.33 - BLOODY DIARRHEA
- 10.34 - ALLERGIES
- 10.35 - NOSE RUB
- 10.36 - HAPPY TAIL
- 10.37 - HOT SPOTS
- 10.38 - BABY TEETH
- 10.39 - URINARY TRACT INFECTION
- 10.40 - DOG POISONING



K9 RESORTS

LUXURY PET HOTEL

- 10.41 - HEAT STROKE
- 10.42 - CANINE FIRST AID KITS
- 10.43 - KURANDA BACKBOARD PROCEDURE
- 10.44 - SAMPLE COLLECTION PROTOCOL
- 10.45 - INFORMING AN OWNER OF A DECEASED PET
- 10.46 - KENNEL COUGH
- 10.47 - KENNEL COUGH DE-ESCALATION DISCUSSION
- 10.48 - KENNEL COUGH ESCALATION SCALE
- 10.49 - IMPORTANT NOTICE – KENNEL COUGH
- 10.50 - KENNEL COUGH CLEANING CHECKLIST
- 10.51 - QUICK REFERENCE - KENNEL COUGH
- 10.52 - DIAGNOSIS: FOR YOUR KNOWLEDGE

Exhibit H

MULTI-STATE ADDENDUM

K-9 Franchising, LLC

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Multi-Unit Operator Agreement contain provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement and Multi-Unit Operator Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement and Multi-Unit Operator Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The Franchise Agreement and Multi-Unit Operator Agreement require binding arbitration. The arbitration will occur in the then-current County and State where our corporate headquarters is located with the costs being borne by both parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement and Multi-Unit Operator Agreement require application of the laws of New Jersey. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

10. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
11. OUR WEBSITES, www.k9resorts.com and www.k9franchise.com HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.
12. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Any restrictions on pricing may not be enforceable under California law.
13. Each principal owner entering into the franchise agreement attached to this franchise disclosure document must guarantee all obligations of the franchisee under the franchise agreement, thereby placing his/her personal assets at risk.
14. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

K-9 FRANCHISING LLC

By: _____
 Name: _____
 Title: _____

FRANCHISEE:

By: _____
 Name: _____
 Title: _____

**ADDENDUM REQUIRED BY THE STATE OF ILLINOIS
TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-
UNIT OPERATOR AGREEMENT**

1. The following item must be included within the Disclosure Document and Franchise Agreement and shall replace contrary language that is in the Disclosure Document, Franchise Agreement and Multi-Unit Operator Agreement, to the extent applicable:

Section 4, Jurisdiction and Venue, of the Illinois Franchise Disclosure Act of 1987 (“Act”) states that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” This Section of the Act replaces any contradictory language contained in the Disclosure Documents, Franchise Agreement and Multi-Unit Operator Agreement, to the extent applicable.

2. Illinois law governs the Franchise Agreement and Multi-Unit Operator Agreement, to the extent applicable. The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended accordingly, to the extent applicable.

3. Any releases and/or waivers that we request you to sign must conform with Section 41, Waivers Void, of the Illinois Franchise Disclosure Act of 1987 which states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void, to the extent applicable. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.” The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended accordingly, to the extent applicable.

4. Under Illinois law at 200.608, Jurisdiction and Venue, a franchise agreement may not provide for a choice of law of any state other than Illinois. The Summary column of Items 17(v) and (w) of the Disclosure Document are amended to state “Illinois law”, to the extent applicable. The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended to conform to the requirements of the Illinois law, to the extent applicable.

5. Item 17(g) of the Disclosure Document and the appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended by changing the time frame to cure defaults, excluding defaults for safety or security issues, to 30 days, to the extent applicable.

6. Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act. The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended accordingly, to the extent applicable.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

K-9 FRANCHISING LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for K-9 Franchising, LLC's Franchise Disclosure Document and for its Franchise and Multi-Unit Operator Agreements. The amendments to the Franchise and Multi-Unit Operator Agreements included in this addendum have been agreed to by the parties. The documents are amended as follows.

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

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

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

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

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

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

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

8. The Franchise Agreement and Multi-Unit Operator Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of

liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

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

10. Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by multi-unit developers shall be deferred until the first franchise under the development agreement opens. Item 5 of the Disclosures, and the appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended accordingly.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

K-9 FRANCHISING LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ____ day of _____, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreements as follows:

1. Item 13 of the Disclosure Document and the appropriate section of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein, to the extent applicable:

“In accordance with applicable requirements of Minnesota law, § 80C.12, Subd. 1(g), Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document, and the appropriate sections of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein, to the extent applicable:

“With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.”

3. Item 17 of the Disclosure Document, and the appropriate sections of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections, to the extent applicable:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

4. Item 17 of the Disclosure Document and the appropriate sections of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein, to the extent applicable:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a release that would relieve any person from liability imposed by Minnesota Statutes, Chapter 80C.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages, termination penalties or judgment notes, to the extent applicable.

6. Any reference to waiver of a jury trial in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J, to the extent applicable.

7. Any offending sections of the Franchise Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5, to the extent applicable.

8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of \$30 on a NSF check, to the extent applicable. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The appropriate sections of the Franchise Agreement are hereby amended accordingly, to the extent applicable.

10. Nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (i) any of the franchisee's rights as provided for in Minnesota Franchise Act or (ii) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. The Franchise Disclosure Document and Franchise Agreement are amended accordingly to provide for same.

11. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

12. Any insurance obligations imposed by the franchisor will be commercially reasonable.

13. This Addendum does not act as a release or waiver by the Franchisee of an otherwise applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

K-9 FRANCHISING LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

ADDENDUM PURSUANT TO THE NEW YORK FRANCHISE LAW

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THE FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FOR IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or

pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval or transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

K-9 FRANCHISING LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for K-9 Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

- 1. Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement do not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

K-9 FRANCHISING LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Wisconsin	Pending

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

RECEIPT

(KEEP THIS COPY FOR YOUR RECORDS)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If K-9 Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Iowa require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If K-9 Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is K-9 Franchising, LLC, located at 43 South Avenue, Fanwood, New Jersey 07023. Its telephone number is (908) 889-PETS.

Issuance date: April 27, 2023 (Effective dates of this Disclosure Document in states requiring registration can be found on the State Effective Date page).

The names, principal business address and telephone numbers of the franchise sellers for this offering are (check and/or fill in all that apply):

- Steven Parker, 43 South Avenue, Fanwood, New Jersey 07023 – (908)-899-7387
- Jason Parker, 43 South Avenue, Fanwood, New Jersey 07023 – (908)-899-7387
- _____

K-9 Franchising, LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 27, 2023 that included the following Exhibits:

A – State Agencies/Agents for Service of Process	F – Financial Statements
B – Franchise Agreement	G – Table of Contents of Operations Manual
C – Multi-Unit Operator Agreement	H – Multi-State Addendum
D – List of Franchisees	
E – List of Franchisees Who Have Left the System	

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please execute and return this document immediately upon receipt via the method prescribed by the Franchisor.

RECEIPT

(RETURN THIS COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If K-9 Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Iowa require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If K-9 Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is K-9 Franchising, LLC, located at 43 South Avenue, Fanwood, New Jersey 07023. Its telephone number is (908) 889-PETS.

Issuance date: April 27, 2023 (Effective dates of this Disclosure Document in states requiring registration can be found on the State Effective Date page).

The names, principal business address and telephone numbers of the franchise sellers for this offering are (check and/or fill in all that apply):

- Steven Parker, 43 South Avenue, Fanwood, New Jersey 07023 – (908)-899-7387
- Jason Parker, 43 South Avenue, Fanwood, New Jersey 07023 – (908)-899-7387
- _____

K-9 Franchising, LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 27, 2023 that included the following Exhibits:

A – State Agencies/Agents for Service of Process	F – Financial Statements
B – Franchise Agreement	G – Table of Contents of Operations Manual
C – Multi-Unit Operator Agreement	H – Multi-State Addendum
D – List of Franchisees	
E – List of Franchisees Who Have Left the System	

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please execute and return this document immediately upon receipt via the method prescribed by the Franchisor