

FRANCHISE DISCLOSURE DOCUMENT

# SIT MEANS SIT DOG TRAINING

SIT MEANS SIT FRANCHISE, INC.

a Nevada Corporation

6295 McLeod Drive #2

Las Vegas, Nevada 89120

(702) 877-4581

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[www.sitmeanssit.com](http://www.sitmeanssit.com)

The franchise offered is for the operation of a dog training business using the “Sit Means Sit” system and standards.

The total investment necessary to begin operation of a Sit Means Sit franchised business if you are a new franchisee is between \$24,275 and \$121,350. This includes between \$18,130 and \$19,070 that must be paid to the franchisor or its affiliate(s). You may also reserve a Trade Area with us for up to two (2) years by paying us a deposit of \$5,000 plus fifty percent (50%) of the applicable initial franchise fee for each Trade Area you reserve under a Trade Area Reservation Agreement. The total investment necessary to begin operation of a Sit Means Sit franchised business if you are an existing franchisee of ours is between \$31,775 and \$128,850. This includes between \$18,130 and \$26,570 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 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 disclosure in different formats, contact Alfredo Rivera at 6295 McLeod Drive Suite #2, Las Vegas, Nevada 89120, (702) 877-4581.

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 an attorney 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: July 29, 2024

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Nevada. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, or litigate with the franchisor in Nevada than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

## MICHIGAN SPECIFIC-NOTICE

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 of 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 each 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 franchised 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 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 of Michigan. 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 qualification or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
  - (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 the subdivision.

(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.

At your option, in the event that our most recent financial statements are unaudited and show a net worth of less than \$100,000.00 then we will, at your request, arrange for the escrow of your initial investment and other funds paid by you until our obligations to provide real estate, improvements, equipment, inventory, training, or other items included in this franchise offering are fulfilled.

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 the Attorney General's Department for the State of Michigan, Consumer Protection Division, Franchise Section, 670 Law Building, 525 W. Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.**

## Table of Contents

	Page
Item 1 The Franchisor and any Parents, Predecessors, and Affiliates.....	1
Item 2 Business Experience.....	2
Item 3 Litigation.....	2
Item 4 Bankruptcy .....	3
Item 5 Initial Fees.....	4
Item 6 Other Fees <sup>1</sup> .....	5
Item 7 Estimated Initial Investment.....	9
Item 8 Restrictions on Sources of Products and Services.....	11
Item 9 Franchisee’s Obligations .....	14
Item 10 Financing .....	15
Item 11 Franchisor’s Assistance, Advertising, Computer Systems, and Training .....	15
Item 12 Territory .....	21
Item 13 Trademarks .....	24
Item 14 Patents, Copyrights, and Proprietary Information .....	25
Item 15 Obligation to Participate in the Actual Operation of the Franchise Business.....	26
Item 16 Restrictions on What the Franchisee May Sell.....	26
Item 17 Renewal, Terminations, Transfer, and Dispute Resolution .....	27
Item 18 Public Figures.....	32
Item 19 Financial Performance Representations.....	32
Item 20 Outlets and Franchisee Information .....	33
Item 21 Financial Statements.....	37
Item 22 Contracts.....	38
Item 23 Receipts .....	38

### EXHIBITS:

- A. Franchise Agreement
- B. General Release
- C. Guaranty
- D. Form of Confidentiality and Non-Competition Agreement
- E. Form of Confidentiality Agreement
- F. Franchisee Information
- G. Financial Statements
- H. State Administrators and Agents for Service of Process
- I. Brand Standards Manual Table of Contents
- J. State-Specific Addenda
- K. Trade Area Reservation Agreement
- L. State Effective Dates
- M. Receipts

**Item 1**  
**The Franchisor and any Parents, Predecessors, and Affiliates**

The Sit Means Sit

To simplify the language in this disclosure document, “we”, “us,” or “our” means Sit Means Sit Franchise, Inc., the franchisor. “You” or “your” means the individual, corporation, partnership, limited liability company, or other entity who buys the franchise, and includes your owners, members, and partners.

We are a Nevada corporation that was organized on January 20, 2009. Our principal business address is 6295 McLeod Drive #2, Las Vegas, Nevada 89120. We conduct business under our corporate name and “Sit Means Sit,” as well as the trademarks described in Item 13 of this Disclosure Document (the “Marks”). We have offered franchises to operate “Sit Means Sit” dog training businesses (“Businesses”) since February 2009.

We do not operate a Business, although we have an affiliate that has done so. Neither we nor our affiliates currently offer, or have offered, franchises in other lines of business. We do not conduct any business activities other than franchising.

Our agents for service of process are disclosed in Exhibit H to this disclosure document.

Our Affiliates

Sit Means Sit, Inc. (“SMSI”), our affiliate, was incorporated in Nevada on January 20, 2006. SMSI has operated a Sit Means Sit business similar to the type offered in this disclosure document since March 2006. From March 2006 until November 2008, SMSI licensed others to operate “Sit Means Sit” businesses similar to those offered in this Disclosure Document under a Merchandising and Licensing Agreement (“MLA”) on substantially different terms than those offered by this disclosure document. The MLA was different from our franchise agreements in that: (1) it was not called a franchise agreement; (2) it had a shorter term than our franchise agreements; and (3) licensees signing MLAs had a different fee structure than our franchisees. SMSI has not offered franchises in this or any other line of business. SMSI will sell you inventory items that you are required to purchase. SMSI’s principal place of business is the same as ours.

We do not have any predecessors or parents, or any other affiliates that offer franchises or provide goods or services to you.

The Business You Will Conduct

As a franchisee, you will operate a business offering dog training, behavior modification and consulting services to dog owners (your “Business”). You will sign a Franchise Agreement (Exhibit A) to operate one business under the Marks. You are required to offer Authorized Products and Services (defined below) within your Trade Area (defined below). The Marks, Vehicles, Training Facility, and our methods of operation are collectively referred to in this Disclosure Document as the “System.”

You must purchase, lease, or own one or more trucks, sport-utility vehicles or other automobiles (“Vehicles”) to sell and perform Authorized Products and Services within your Trade Area. You may conduct training classes in public parks, gyms, pet stores, or other public locations. Or you may operate from a formal training facility in which you have your own space to conduct dog training classes (“Training Facility”).



We may allow you to reserve a specific Trade Area for a period of one (1) year under our Trade Area Reservation Agreement (“TARA”) (Exhibit K). To reserve a Trade Area under the TARA, you must pay us a deposit of five thousand dollars (\$5,000) for each Trade Area you reserve. Under that contract, you must begin operating a Business within one (1) year of signing, which you will do by signing our then-current form of franchise agreement and paying our then-current initial franchise fee (to which we will apply your deposit(s)). For each franchise agreement under the TARA, the franchise agreement may be in a different form from the franchise agreement in this offering. If you fail to begin operations of your franchise under the TARA by the Commencement Deadline, you may extend the Commencement Deadline only once, for a period of one year, by paying an additional deposit equal to fifty percent (50%) of the entire initial franchise fee that is due for that Trade Area.

### The Market and Competition

The market for dog training businesses is competitive and well-developed. You will market your Business to dog owners. You will compete with other business offering similar products and performing similar services, including other dog training and obedience companies, kennel clubs and some veterinary offices that provide canine training, some of which are part of national or regional franchised and non-franchised chains.

### Industry Specific Laws

A wide variety of Federal, state, and local laws, rules, and regulations have been enacted that may impact the operation of your Business, and may include a requirement that you obtain an animal handler permit. You will also be required to pass a criminal background check as part of obtaining a franchise.

Your Business will also be subject to various federal, state and local health, safety and sanitation laws that apply to businesses generally. You must investigate and comply with all applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you.

## **Item 2 Business Experience**

### Chief Executive Officer: Fred Hassen

Mr. Hassen has served as our Chief Executive Officer since our formation on January 20, 2009. He has also been Chief Executive Officer of SMSI since January 2006.

### President: Alfredo Rivera

Mr. Rivera has served as our President since our formation on January 20, 2009. He has also been President of SMSI since January 2006.

## **Item 3 Litigation**

Sit Means Sit Franchise, Inc. v. SMSHTX, LLC, SMS NC, LLC, Hamid Parvizian, and Joseph Arnette, in the United States District Court for the District of Nevada, Case No. 2:23-cv-01464-CDS-DJA. On or about September 20, 2023, we filed a lawsuit against our SMSHTX, LLC and SMS NC LLC and its owner, Hamid Parvizian (collectively “Parvizian”). We also sued a co-owner of SMS NC LLC, Joseph Arnette (“Arnette”). Parvizian operated Sit Means Sit franchises in Texas and North Carolina. We terminated

Parvizian's franchise agreements with us in June 2023 due to Parvizian's failure to pay us amounts owed. Parvizian continued to operate his former franchises in violation of the post-termination obligations in the franchise agreements, and we were informed by certain of his customers that his operation of a kennel was endangering the health and safety of animals in his care. In the Complaint, we sought relief against Parvizian for breach of contract and enforcing the covenant not to compete in the franchise agreements against him. In October 2023 we voluntarily dismissed Arnette from the lawsuit as he had no involvement in the operation of Parvizian's businesses. In November 2023, we obtained a preliminary injunction against Parvizian, preventing him from his businesses. In June 2024, the Court entered a default judgment against Parvizian: (1) permanently enjoining him from using our Marks; (2) permanently enjoining him from using our confidential information or competing with us in any of the areas where he operated his franchises; (3) awarding us liquidated damages in the amount of \$46,800; and (4) awarding us attorney fees in the amount of \$74,520.07, and holding Parvizian and his entities jointly and severally liable for the full amount of the damages and fee award.

Maryland Consent Order (Case No. 2012-0362). On or about September 19, 2012, the Securities Division of the Office of the Attorney General of Maryland entered into a stipulated Consent Order with us and with our affiliate, Sit Means Sit, Inc. ("SMSI") entered into a stipulated Consent Order in which SMSI acknowledged that Merchandising and Licensing Agreements ("MLAs") that it had entered into with two different Maryland residents constituted "franchises" as defined under the Maryland Franchise Law. SMSI also acknowledged that SMSI was not registered to offer and sell franchises under the Maryland Franchise Law at the time SMSI entered into MLAs with the two Maryland residents and that SMSI did not provide those Maryland residents with an FDD registered under the Maryland Franchise Law prior to the sale of the SMSI MLAs. We further admitted that we offered a franchise to a prospective Maryland franchisee at a time that we were not registered to offer franchises under the Maryland Franchise Law.

In the Consent Order, the Maryland Securities Commissioner (the "Securities Commissioner") concluded that SMSI violated §§14-214, 14-216, 14-228, and 14-229 of the Maryland Franchise Law, and that we violated §§14-214, 14-216, 14-228, 14-229, and 14-231 of the Maryland Franchise Law. As part of the Consent Order, we represented to the Securities Commissioner that: (1) we have developed and implemented new written compliance procedures to ensure that, in the future, we comply with the registration, disclosure and antifraud provisions of the Maryland Franchise Law, which compliance procedures we submitted to the Securities Commissioner; (2) we and SMSI would immediately and permanently cease from the offer and sale of franchises in violation of the Maryland Franchise Law; and that (3) the Consent Order is a discloseable order under the Maryland Franchise Law, and Item 3 of the NASAA Franchise Registration and Disclosure Guidelines and Amended FTC Franchise Rule. We also agreed to pay a \$2,000 civil penalty to the Office of the Attorney General.

Minnesota Consent Order (Case No. FR2900235/DPK). On or about September 1, 2009, the Minnesota Department of Commerce and our affiliate, Sit Means Sit, Inc. ("SMSI") entered into a stipulated Consent Order in which the state alleged that SMSI sold an unregistered franchise in that state, and SMSI, without admitting or denying any violation of law, agreed to pay a \$1,000 civil penalty and comply with Minnesota franchise law.

Other than these two actions, 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**

Deposit

You must pay us an application fee and deposit of \$1,500 at the time you apply to become a franchisee. We will use the application fee to conduct a credit and criminal background check, and to evaluate you as a franchisee candidate. If you and we decide to commit to entering into a franchise agreement, the \$1,500 deposit will be applied towards your initial franchise fee or your payment under the Trade Area Reservation Agreement, described below. The application fee and deposit are nonrefundable under any circumstances; if we decide not to offer you a franchise or you decide not to purchase a franchise, we will not refund the application fee to you.

Trade Area Reservation Agreement

If you elect to reserve a Trade Area through our Trade Area Reservation Agreement (which we describe in Item 12 and is attached as Exhibit K) (the “TARA”), you will pay us a deposit of \$5,000 for each Trade Area you reserve. If you fail to obtain a unit franchise agreement from us and begin operating your franchise under the TARA by the Commencement Deadline, you may extend the Commencement Deadline only once, for a period of one year, by paying an additional deposit equal to fifty percent (50%) of the initial franchise fee that is due for that Trade Area. If you fail to obtain a unit franchise agreement from us and begin operating your franchise under the TARA before the original or extended Commencement Deadline, your TARA and rights within the subject Trade Area will terminate automatically.

All deposits you pay to us under the TARA will be applied towards the initial fee when you sign a full Franchise Agreement with us before the applicable Commencement Deadline. Your deposits under the TARA are not refundable under any circumstances.

Initial Franchise Fee

If this is your first franchise with us, you will pay us a nonrefundable initial fee of \$17,500 when you sign the Franchise Agreement. For each additional franchise you purchase (or if you purchased your first franchise with us after July 2020), you will pay a reduced initial franchise fee according to the following schedule:

Franchise Number	Initial Franchise Fee
2	\$15,500
3	\$13,500
4	\$11,500
5 (and each additional)	\$10,000

If you are a current franchisee of ours who purchased a franchise from us before July 2020 and wish to purchase an additional franchise from us, you will pay us an initial fee of \$25,000 (in which case you will pay a lower monthly royalty rate of \$500 if you pay the royalty on the first day of the month). These fees are not refundable under any circumstances.

Initial Training and Apprentice Program Fees

We provide the Initial Training Program at no additional cost for one trainee. After the first trainee, we will charge you a fee (currently, \$2,500 per person) for each additional person that attends the Initial Training Program, plus an additional fee of \$150 for conducting a criminal background check.

If you send a person or people to our apprentice program (which is a five-day segment of our Initial Training Program), you must pay us a fee of \$1,000 for each person who attends our apprentice program, plus an additional fee of \$150 for conducting a criminal background check. You are responsible for paying for the lodging, travel and living expenses of yourself and for each person who attends training on your behalf. These fees are not refundable under any circumstances.

Supply and Equipment Fees

You must purchase an initial inventory of training collars from SMSI. While we do not require you to buy a specific number of collars, we estimate that you will spend between \$630 and \$1,570 on your purchase of these collars.

If we determine that you or your employees’ progress during the Initial Training Program is unsatisfactory, we may terminate your Franchise Agreement. We will refund the amount you paid for the training collars, if they are returned to us unused or in “like new” condition.

All initial fees described in this Item 5 are uniform for franchises being offered under this disclosure document and are not refundable under any circumstances other than those described above.

**Item 6  
Other Fees<sup>1</sup>**

Type of fee	Amount	Due Date	Remarks
<b>Fees You Will Pay Us Every Month</b>			
Continuing Royalty (for renewing franchisees and existing franchisees purchasing an additional franchise, who purchased their first franchise before July 2020)	\$600 per month. If paid on the first day of the calendar month that is not a weekend day or a holiday, the Continuing Royalty will be \$500 for that calendar month only.	Payable by the 5th day of each calendar month; considered late if not paid by the 10 <sup>th</sup> day of the calendar month.	We may adjust this amount no more frequently than annually based on the Consumer Price Index, U.S. Average, all items, or any replacement index which we select.
Continuing Royalty (for new franchisees and existing franchisees purchasing an additional franchise, who purchased their first franchise after July 2020)	The greater of 9% of your Gross Sales or \$800 per month. (Note 2)	Payable by the 5th day of each calendar month; considered late if not paid by the 10 <sup>th</sup> day of the calendar month.	We may adjust this amount no more frequently than annually based on the Consumer Price Index, U.S. Average, all items, or any replacement index which we select.
Franchise Financial Database	Cost of a monthly license for the program, currently \$14.95/month.	Upon invoice.	You must pay us, or our designated third-party supplier (currently Qvinci), to use this program.

Type of fee	Amount	Due Date	Remarks
<b>Fees Charged Based On Your Request or Need</b>			
Background Checks	Our costs to perform background checks, which are presently between \$165.00 and \$300.00 per background check.	On invoice by us.	You must reimburse us for performing and updating periodic background checks on you and your Authorized Trainers. We reserve the right to update background checks at your cost, typically no more frequently than annually.
Initial Training Fee	After the first trainee, \$2,500 per person for each person that attends the Initial Training Program	Before training	We charge a fee for any additional personnel that attend the Initial Training Program.
Apprentice Program	\$1,000 per person that attends the apprentice program.	Before training.	The apprentice program takes place for 5 days during our Initial Training Program.
Optional Training Courses	As established by us. Fees will be uniform for all franchisees. Currently \$150 per person per day. You must pay for your own travel, food, and incidental expenses.	Prior to beginning of training	We will not charge a fee for any mandatory training courses which you must attend. However, we may charge a fee for any optional training courses we periodically offer, in our sole discretion. In addition to any training fee, you must pay all transportation costs, food, lodging and similar costs incurred in connection with attending any additional training courses.
Further Individualized Training	As established by us. Fees will be uniform for all franchisees. Currently \$150 per person per day. You must pay for your own travel, food, and incidental expenses.	Upon demand	Payable only if you request additional training from us or if we determine that your Business is not being operated according to our Policies or the Franchise Agreement.
Continuing Education Fee	\$150 - \$350	Before attending program.	We hold two (2) Owners-only meetings annually. If you attend one, we will charge this fee.
Toll-free Telephone Number Fee Charges	You must reimburse us for any telephone charges that we incur to receive and forward to you telephone calls that we receive at our toll free number.	On demand	We may charge a reasonable fee designed to reimburse us for costs of establishing and operating the toll free call center. We do not currently operate a

Type of fee	Amount	Due Date	Remarks
			call center; as a result, we do not currently charge this fee.
Supplier Approvals	Our costs of inspecting your proposed supplier facility and/or product and equipment and all product testing costs paid by us to third parties (including travel expenses), which we estimate to be between \$3,000-\$4000.	On demand	Payable by you or the proposed Supplier only if you ask us to approve a Supplier.
Transfer / Assignment	The greater of (i) our out-of-pocket expenses associated with evaluating and documenting the proposed Assignment, (ii) \$5,000, or (iii) 10% of the consideration paid for your Business.	Estimate of transfer fee paid upon submission of request. Transfer fee must be paid before transfer	Applicable only if you choose to transfer your Franchise Agreement. Our consent is required for any transfer.
<b>Fees We Have The Right To Charge Only Under Certain Circumstances</b>			
Non-Compliance Assessment	\$100 per occurrence, per week that you are not in compliance	Upon demand	We have the right to charge this fee (in addition to our other rights and remedies) if you are not in compliance with our System standards.
Failure to Attend Re-Certification Training	\$2,500 plus our reasonable attorneys' fees	Upon demand	You must complete re-certification training once every three (3) years. We will charge you this fee if you do not comply with this requirement.
Late Fee	Interest of 10% per annum, or the highest interest rate allowable by law, whichever is less, on any unpaid amounts (with a minimum fee of \$25.00). Interest begins from date of nonpayment or underpayment.	Upon demand	Due only if you are late in paying any amounts owed to us.
Charges for unpaid checks, drafts or electronic payments	Our costs and expenses arising from the non-payment, including bank fees in the amount of at least \$50.00 and other related fees we incur	Upon demand	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise

Type of fee	Amount	Due Date	Remarks
Default Reimbursement and Legal Fees	You must reimburse our costs and expenses arising from your default under the Franchise Agreement, including reasonable legal fees. We estimate that these fees will be between \$500 and \$75,000.	Within 5 days after you cure the default	Payable only if you default under your Franchise Agreement. This includes our costs and expenses if you fail to de-identify any permitted Training Facility.
Inspections	You must reimburse us for all of our costs and expenses (including travel expenses) incurred in connection with our inspection of your Business location(s), which we estimate to be between \$3,000-\$4,000.	On demand	You must reimburse our costs and expenses only if the inspection discloses any material failure to comply with our policies. There are no limitations on the frequency of these inspections.
Indemnification	Will vary under circumstances	As incurred	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Business.
Under-Reporting of Gross Sales	Amount determined to be owed plus interest on the underpayment at the highest rate allowable by law (not to exceed 18%).	Upon demand	Payable only if an audit or other investigation reveals an under-reporting or under-recording error. Interest begins from the date of underpayment.
Liquidated Damages	If you are a renewing franchisee or you purchased your first franchise with us before July 2020: \$21,600.  If you purchased your first franchise with us after July 2020: the <u>greater</u> of \$32,400 or the monthly average of Continuing Royalties you paid us during the previous twelve (12) months.	Upon Demand	Payable only if we terminate the Franchise Agreement with cause, or if you cancel your Franchise Agreement prior to its expiration.

- (1) All fees that we list above are imposed by and are payable to us, except those payable for the Franchise Financial Database. All fees paid to us are non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may or may not be refundable depending on the vendors and suppliers. All fees listed in this Item are uniformly imposed by us as to all franchisees.
- (2) “Gross Sales” means all revenues received or receivable by you as payment (whether in cash, by debit card or for credit or barter, or other means of exchange, for goods and services you sell, or promote or sell under the Marks, whether or not payment is received and including the

full retail value of any gift certificate or coupon sold for use at your Business (fees retained by or paid to third party sellers of such gift certificates or coupons are not excluded from Gross Sales)), during the term of your Franchise Agreement, excluding: (i) sales taxes collected directly from your customers, and any sales, value added or other tax, excise or duty charged to customers charged to you by any governmental authority, based on your sales of specific goods or services; (ii) tips, gratuities or service charges; and (iii) proceeds from certain isolated sales of equipment and trade fixtures.

All your amounts you owe to us may, at our option, be required to be paid through an electronic depository transfer account (“Electronic Depository Transfer Account”). If required, you must set up an Electronic Depository Transfer Account and we will have access to this account for the purpose of receiving payment for Royalty Fees, advertising contributions, and amounts due for your purchases from us and any other amounts which you owe to us.

**Item 7  
Estimated Initial Investment**

**YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

<b>Type of expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Fee (New Franchisee) (1)	\$17,500	Lump Sum or As Arranged	When you sign your Franchise Agreement	Us
Initial Fee (Existing Franchisee) (1)	\$25,000	Lump Sum or As Arranged	When you sign your Franchise Agreement	Us
Real Property & Leasehold Improvements (2)	\$0 - \$39,000	Lump Sum or As Arranged	Before Opening	Outside Suppliers
Equipment and signs	\$300 - \$1000	As Arranged	Before Opening	Outside Suppliers
Sit Means Sit Vehicle(s) (3)	\$400 - \$23,500	As Arranged	Before Opening	Auto Dealer
Computer Hardware and Software	\$0 - \$3,000	As Arranged	Before Opening	Outside Suppliers
Initial Training Fee (4)	\$0 - \$2,500	Lump Sum or As Arranged	Before Opening	Us
Wages, Travel, Lodging and Living Expenses During Training (5)	\$2,620 - \$6,680	As Incurred	Before Opening	Airlines, hotels, Restaurants and employees
Opening Inventory Collars	\$630 - \$1,570	As Arranged	Before Opening	SMSI
Pre-opening Advertising Includes brochures, business cards, Magnets	\$200 - \$700	As Incurred	As Incurred	Media and other suppliers
Insurance Deposits and Premiums (6)	\$150 - \$3,300	As Arranged	As Arranged	Insurance Companies
Licenses and Permits	\$25 to \$700	As Incurred	Before Opening	Governmental Agencies
Professional Fees	\$0 - \$3,000	As Incurred	As Incurred	Attorneys, Accountants, etc.
Demonstration Dog (7)	\$50 - \$7,500	Before Training	Before Training	Suppliers
Additional Funds – 3 Months (8)	\$2,400 - \$11,400	As Incurred	As Incurred	Employees, suppliers, utilities, landlords, etc.



Type of expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
TOTAL ESTIMATED INITIAL INVESTMENT (NEW FRANCHISEE)	\$24,275 - \$121,350			
TOTAL ESTIMATED INITIAL INVESTMENT (EXISTING FRANCHISEE)	\$31,775 - \$128,850			

Note: Neither we, nor any of our affiliates, offer direct or indirect financing for any part of the initial investment. We do not know whether any of the money you pay to third parties will be refundable. The Initial Fee you pay us is partially refundable under the circumstances described in Item 5.

1. As stated in Item 5, our existing franchisees who purchase an additional franchise have the option of paying a \$17,500 initial fee (and paying the higher monthly royalty rate of \$800 per month if paid on the first day of the month), or paying a \$25,000 initial franchise fee (and paying a lower monthly royalty rate of \$500 per month if paid on the first day of the month). Further, we offer our existing franchisees a referral fee of \$5,000 for referring a new franchisee to us under the FLR program. Our existing franchisees are currently permitted to use the FLR fee towards the purchase of an additional Trade Area for themselves; as a result, our current franchisees that purchase an additional Trade Area will receive a refund of \$5,000 when they sign the Franchise Agreement and pay us the initial fee. This Item 7 does not reflect the \$5,000 refund. We may discontinue the FLR program at any time.

2. The low estimate assumes that you will operate without a formal Training Facility, so you will incur no rental charges or construction costs. If you do operate from a facility, locations might include strip malls or light industrial or commercial zones in which you will typically lease unimproved and unfurnished retail store front or warehouse space. For a leased Training Facility, you can expect to prepay first and last month's rent (which we estimate will total about \$6,000) and spend an additional \$6,000 to \$9,000 to construct and improve the space before opening. These figures are represented in the high estimate and based on a facility ranging in size from 1,000 square feet to 3,500 square feet in Las Vegas, Nevada; however, rent can vary widely and is dependent upon factors such as size, location, demand, general economic conditions of the town or city in which your Training Facility is located, the condition of the premises and negotiated rent. In the unlikely case that you purchase a location or construct a free-standing building, your initial investment will be much greater, depending on the size and location of the building.

The amount for real estate improvements will depend upon the size of the space, the condition of the premises, landlord construction allowances, the cost of hiring any necessary subcontractors, and costs of materials. Depending on the specific improvements you choose to make, this amount may be higher.

3. The low estimate assumes that you already own a suitable vehicle and use minor decaling. You must purchase or lease one or more Vehicles meeting our policies and specifications. Promptly following the lease of your Vehicle(s) you must make certain modifications and additions to the vehicle(s) as we require, including, installing decals, logos, and racks.

4. We will train one person at no additional charge (excluding a transferee). The low estimate assumes you will have only one trainee, and will incur no additional charge for training, and the high estimate contemplates the Initial Training Fee for a second trainee. You must pay an Initial Training Fee of \$2,500 for the second and each additional person to attend the Initial Training Program (all transferees will pay these amounts). You must pay us a fee of \$1,000 for each person you bring to the apprentice program. For the second and each additional person you bring to training, you must also pay us a criminal background check fee of \$150. You are responsible for the travel, lodging, and living expenses for each person who attends the Initial Training Program or apprentice program (including yourself).

5. You must pay the expenses of all persons attending the Initial Training Program including transportation. The low estimate assumes travel-related costs to train 1 person for 21 days in a location that we select and that you are within driving distance and incur \$200 for gas. The high estimate assumes two persons and that they will travel by air and incur \$1,000 in airfare, meals, and wages. The amount will depend, in part, on the distance the attendees must travel.

6. This is an estimated down payment against the annual premiums you must pay for the insurance required under the Franchise Agreement and Brand Standards Manual. The exact dollar amount of your insurance payment will be determined by the geographic location of the Business and the number of employees you are covering.

7. We require you to have a “demonstration dog,” trained with our methods, to market your Business. You are not required to pay us any fees associated with training the dog. You may train the dog yourself, after you attend our initial training program. The range reflected above contemplates your either paying adoption fees for a dog, which are generally around \$50, or buying a dog, which can be as much as \$7,500.

8. These amounts are the minimum recommended levels to cover your operating expenses for three (3) months, assuming no revenue during this period. In compiling this chart, we relied on the experience of our affiliate, SMSI, as the owner and operator of a Business similar to the franchise being offered to you, as well as on our own experience as the franchisor of Businesses.

## **Item 8 Restrictions on Sources of Products and Services**

### Standards and Specifications

You must establish and operate your Business in compliance with your Franchise Agreement and the standards and specifications contained in the confidential Brand Standards Manual (“Brand Standards Manual”) we loan to you. We will communicate our standards and specifications to you in writing through the Brand Standards Manual.

To maintain our standards of consistent, high-quality products and services, customer recognition, advertising support, value, and uniformity in Businesses, you must purchase all your required décor, inventory, goods, equipment, supplies, forms, products, services, and advertising materials used in or sold through your Business, per our specifications and standards, only from us or our approved or designated suppliers and distributors.

We may periodically require that you purchase, use, offer, promote and/or maintain in stock products, including dog collars, dog care products, dog training products, dog toys, food and treats, leashes, collars, bite suits, apparel, and other goods, training and other equipment, uniforms, supplies, packaging, business cards, forms, computer hardware, software, modems and peripheral equipment and other items which are produced or manufactured in accordance with our proprietary specifications and/or formulas, and which we select as designated products (“Designated Products”), and specified products that bear the “Sit Means Sit” mark or marks (“Sit Means Sit Brand Products”). You must purchase Designated Products and Sit Means Sit Brand Products only from us, our affiliates, or from parties we designate.

If we do not authorize a product, service, or supplier, you are prohibited from using it in your Business. All packaging and similar articles must conform to our specifications, be purchased from us or another Supplier, and, if we require, must be imprinted with our Marks. We must approve the way you use our Marks on any materials or products that you use that you do not purchase from us or our affiliates.

We formulate and modify our standards and specifications based on the market for dog training businesses in general, as well as competitive and economic conditions, based on the experience of our affiliate's operation of a dog training facility as well as the experience of our franchisees. We will communicate our standards and specifications to you in writing through the Brand Standards Manual. We do not make our criteria for selecting approved suppliers available to our franchisees or suppliers.

We do not provide or withhold material benefits to you based on your use of designated or approved suppliers.

### Supplier Approvals; Specifications

We may also designate certain products, accessories, raw materials, equipment, uniforms, supplies, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies and equipment, other than Designated Products, which you may or must use and/or offer and sell in connection with your Business ("Ancillary Products"). You may, but are not required to, purchase Ancillary Products from us or our affiliates. You may use, offer or sell only the Ancillary Products that we have expressly authorized. You may purchase authorized Ancillary Products from us, our affiliate or a producer, manufacturer, distributor, or supplier ("Supplier") that we designate or approve.

If you want to purchase products from a Supplier that we have not designated or approved, you may request in writing that we approve the Supplier. You or the supplier must reimburse us all of our reasonable costs incurred in reviewing the proposed Supplier, including travel expenses related to inspecting, re-inspecting and auditing the Supplier's facilities and equipment, and all product testing costs paid by us to third parties. We will evaluate the supplier to determine whether, in our sole discretion, the supplier and its products meet our standards. We may revoke our approval of a Supplier at any time and will do so by notifying you of our revocation of approval in writing or in the Brand Standards Manual. At your request, we will provide the general, but not the manufacturing specifications for Ancillary Products if the specifications are not contained in the Brand Standards Manual. We will notify you of our decision within 60 days after we receive your request for approval and all requested back-up information.

Each Supplier that we designate or approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and must demonstrate: (a) its ability to supply an Ancillary Product meeting our specifications, (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to meet other requirements which we determine to be in the best interest of the license system.

### Required Purchases Or Leases

Our affiliate, SMSI, is the only approved supplier of the following categories of goods and services which you must use in your Business: franchisee training, training collars, leashes, and training cots. Although we or our affiliates have the right to be the only approved supplier of certain other items, neither we nor our affiliates are currently the only approved supplier of any items other than franchisee training, training collars, leashes, and training cots.

### *Training and Certification Programs*

We and our affiliates are the only approved supplier of training and certification programs that we require you to take and to have for your franchise.

### *Real Estate*

You are not required to operate the Business at a formal Training Facility. If you elect to do so, the Training Facility must be located within your Trade Area, it must meet our standards and specifications and be accepted by us. If the Training Facility is leased or subleased, you must submit a copy of your lease to us for our review and acceptance. We are not an approved supplier of site leases.

### *Vehicles*

A substantial portion of your Business will be conducted using a truck, sport-utility vehicle or other vehicle (“Vehicle”) to deliver products and perform services at private and public locations within your Trade Area. You must promptly purchase or lease at least 1 Vehicle, unless you already own a suitable vehicle that is in good condition, with no noticeable damage to the body or paint (ordinary wear and tear excepted). We do not require you to have any specific make, model, or year vehicle. We do not issue specifications or standards for the Vehicle to suppliers. We are not an approved supplier of the Vehicle.

### *Insurance*

You must maintain suitable insurance coverage and minimum amounts specified in the Franchise Agreement, Brand Standards Manual or by written notice, including workers’ compensation insurance as required by applicable law. We specifically require you to obtain a comprehensive general liability insurance including errors and omissions in the minimum amount of \$1,000,000, automobile liability insurance of \$250,000 per person, \$500,000 per accident, and \$100,000 for property damage for any vehicles used in the operation of the Franchised Business. All policies must name us and our designated affiliates as an additional insured. You may obtain additional insurance coverage as you feel necessary. Premiums depend on the insurance carrier’s charges, terms of payment, and your history. You may purchase your insurance from any carrier subject to our approval, which approval we will not unreasonably withhold. You must submit proof of insurance to us before opening. We are not an approved supplier of insurance.

### *Advertising*

All advertising and promotion by you, in any manner or medium, must be conducted in a dignified manner and must conform to our standards and specifications. You are responsible for all costs of such advertising and promotion. We reserve the right to require you to purchase advertising and promotional material directly from us, our affiliate(s), or approved suppliers. We are not the only supplier of advertising materials, but we reserve the right to be.

### *Computer System and Proprietary Software*

You must purchase or lease and maintain a personal computer system (the “Computer System”) as specified in the Brand Standards Manual or by us in writing. You do not have to obtain the Computer System from any particular supplier so long as it meets our minimum requirements. You will be required to maintain the Computer System in good repair and working order, including installing program software updates specified or supplied by us or purchased from Approved Suppliers. We also may require you to sign a license agreement to license or sublicense certain computer software that we own or license (“Proprietary Software”). This includes, but is not limited to, our franchise financial database program; you must also have a PC desktop version of QuickBooks that is less than three years old. If we require you to license or sublicense Proprietary Software, we (or our designee) will provide support services to you regarding the Proprietary Software at then-current rates. We are not an approved supplier of the Computer System or Proprietary Software, but we reserve the right to be.

### Proportion of Required Purchases and Leases to All Purchases and Leases

We estimate that all required purchases and leases are between 55% and 90% of the cost of establishing a franchise, and that your required ongoing inventory and lease expenses are between 5% and 50% of operational costs on an ongoing basis during the operation of your business.

### Purchasing Cooperatives, Purchasing Arrangements, Rebates, Payments, and Derived Revenue

We have not yet, but may in the future, establish purchasing or distribution cooperatives. Although we have not done so as of the date of the Disclosure Document, we may negotiate volume buying arrangements, including price terms, with Suppliers for the benefit of franchisees. We may negotiate alternative purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees and we reserve the right to receive rebates on volume discounts from our purchase of products that we may re-sell to you.

We or our affiliates may or will derive revenue, from required purchases or leases by franchisees, if purchased from us or our affiliates. We did not derive revenue, rebates or other material consideration based on required purchases or leases by our franchisees during 2023. Our affiliate, SMSI, according to its unaudited financial records, received approximately \$5,252,946 or 91.7% of its total revenue of \$5,726,093, during its fiscal year ending December 31, 2023, because of franchisee purchases from SMSI. In addition, SMSI is expecting to receive a 5% rebate from its supplier on all of its purchases of Sit Means Sit training collars.

None of our officers owns an interest in any unaffiliated supplier, but they do own an interest in us and SMSI, and as discussed above we and SMSI are approved suppliers.

## **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	Disclosure Document Item
a. Site selection and acquisition/lease	Section 4.3; Trade Area Reservation Agreement	Items 8 & 11
b. Pre-opening purchases/leases	Section 4.1	Item 8
c. Site development and other pre-opening requirements	Section 4.1	Items 7 & 11
d. Initial and ongoing training	Article 6	Item 11
e. Opening	Section 4.4	None
f. Fees	Article 5; Trade Area Reservation Agreement	Items 5 & 6
g. Compliance with standards and policies/Operating Manual	Article 7	Item 11
h. Trademarks and proprietary information	Article 12	Items 13 & 14
i. Restrictions on products/services offered	Sections 7.3, 7.4, 7.10, 7.12 and 9.2	Item 16
j. Warranty and customer service requirements	Section 10.4.2	Item 8
k. Territorial development and sales quotas	None	Item 12

Obligation	Section In Franchise Agreement	Disclosure Document Item
l. Ongoing product/service purchases	Article 10	Item 8 and 6
m. Maintenance, appearance, and remodeling requirements	Section 4.2	Item 8
n. Insurance	Article 17	Items 8
o. Advertising	Article 8	Items 6 & 11
p. Indemnification	Sections 4.3.1, 14.2.4, 18.1 and 18.2	Item 6
q. Owner's participation/ management/staffing	Section 7.2	Items 11& 15
r. Records/reports	Sections 11.1 and 11.4	Item 6
s. Inspections/audits	Sections 11.2 and 11.5	Items 6 & 11
t. Transfer	Sections 14.2, 14.3 and 14.4	Item 17
u. Renewal	Sections 3.2, 3.3 and 3.4	Item 17
v. Post-termination obligations	Article 16	Item 17
w. Non-competition covenants	Section 13.1	Item 17
x. Dispute resolution	Article 20	Item 17
y. Liquidated Damages	Section 16.2	Item 6

### **Item 10 Financing**

We do not offer direct or indirect financing. We do not guarantee your note, lease or other obligations.

### **Item 11 Franchisor's Assistance, Advertising, Computer Systems, and Training**

**Except as listed below, Sit Means Sit Franchise, Inc. is not required to provide you with any assistance.**

Pre-Opening Obligations. Before you open your Business, we will:

1. If you choose to operate your Business from a Training Facility, you must locate a site within your Trade Area and meet our current standards and specifications, as well as local ordinances and building codes. We do not own the premises and lease it to you. Upon receiving from you and reviewing the information that you provide to us regarding a proposed site, we will either accept or reject the site. We do not select a site for you. You do not need to operate the Business from a formal training facility.

The factors we consider in accepting Training Facility sites include general location and neighborhood, demographics, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. We will endeavor to approve or reject your proposed location within 14 days after your submission. If you and we do not agree on a proposed location for a Training Facility, we will permit you to operate without a formal training facility. We may terminate your Franchise Agreement if you do not begin operating your business within four months of signing the Franchise Agreement. (Franchise Agreement §4.3.2)

2. Provide you with our guidelines and specifications for Vehicles in the Brand Standards Manual and other written materials. These materials may include requirements relating to make, model,

year, color and body wrap or other advertising. You must promptly purchase one or more Vehicles you will use to deliver products and perform training services at within your Trade Area. You are solely responsible for purchasing or leasing your Vehicle(s), which must conform to our standards and specifications. (Franchise Agreement, Section 4.1.2)

3. Provide an Initial Training Program as described below. (Franchise Agreement, § 6.1)

4. Make available a copy of our Brand Standards Manual online via our corporate resource page to use during the term of the Franchise Agreement. The Brand Standards Manual contains our standard operational procedures, policies, rules and regulations with which you must comply. Attached as Exhibit I to this disclosure document is a copy of the table of contents of our Brand Standards Manual that is in effect as of the date of this disclosure document. The table of contents indicates the number of pages devoted to each subject. The total number of pages in the Brand Standards Manual is 99. (Franchise Agreement, § 7.6.3)

5. SMSI will sell and deliver to you an initial inventory of training collars. (Franchise Agreement, § 10.4)

6. If you have a TARA, we will reserve each Trade Area you pay for (\$5,000 for each Trade Area you reserve) by not selling it to another franchisee. (TARA, Section 5).

#### Time to Open

We estimate the typical length of time between signing a Franchise Agreement and opening a new Business is between 1 to 4 months after you sign your Franchise Agreement. Factors affecting this (and may extend the time) can include your ability to obtain leases and/or financing for your Vehicles, ability to obtain a demonstration dog, and how soon you can begin and complete your training. If you wish to lease a space for your Business, factors such as your ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of tenant improvements, fixtures, furniture, equipment, and signs can also affect this length of time.

Unless we otherwise agree in writing, you must start operating your Business within 60 days after you complete the Initial Training Program. If you do not begin operating your Business within that time, we have the right to terminate the Franchise Agreement without refunding any initial fees to you.

Post-Opening Obligations: During your operation of the Business, we will:

1. At your reasonable request for assistance, provide you with assistance and advice from our headquarters staff, field representatives, training staff and other designated representatives with respect to technical and sales support and general advice and assistance relating to the operation of your Business by telephone, electronic mail, facsimile or other means of communication. If any advice, consultation or training is provided at your request or if we determine that your Business is not being operated in accordance with our policies, you must reimburse our expenses and pay our then-current training fee. (Franchise Agreement § 6.3)

2. Periodically designate products and services as “Authorized Products and Services” and we will periodically designate certain products as “Designated Products” or “Ancillary Products” which you must stock and provide. (Franchise Agreement, §§ 7.3, 10.2 and 10.3)

3. Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose to use for local advertising. (Franchise Agreement, § 8.1)

5. Conduct ongoing training programs that we will require you to periodically attend. After you attend our Initial Training Program, you will be required to obtain re-certification from us once every three (3) years during the term of your franchise. (Franchise Agreement, § 6.4)

Post-Opening Optional Assistance. During your operation of the Business, we may:

6. Establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and will provide the Brand Standards Manual, updates to the Brand Standards Manual, and other confidential information to you. We will have sole discretion and control over all aspects of the Intranet, including content and functionality. We may also choose to dismantle it any time. (Franchise Agreement, § 7.12)

7. Coordinate the presence of the System on the Internet, including but not limited to e-commerce, web site use, social media and networking sites, and cyberspace applications. This includes all national, regional, state, and local websites regarding Businesses and our franchisees. We will have sole discretion and control over the design and contents of any website. If we operate such a website, the website will include a section that provides the address and telephone number of your Business, except that we reserve the right to de-list or remove your Business from the website if you are not in compliance with the terms of the Franchise Agreement. We also have the right to control all use of social media sites by you that mentions or uses the Marks. Franchise Agreement, § 9.1)

8. Designate certain National Accounts. We describe the National Accounts later in this Item. (Franchise Agreement § 7.12).

9. Conduct semi-annual owners only meetings. If you choose to attend one, we will charge you a fee between \$150 and \$350 per attendee.

10. Operate one or more T-1 links free telephone numbers (which may be toll free) to be used in connection with the operation of Sit Means Sit Businesses (“Call Center”) to refer potential clients to you and all of our other franchisees. We describe the telephone numbers and Call Center later in this Item. (Franchise Agreement § 8.5).

11. We may also make available additional optional services, for example accounting support, for which we may charge a separate fee. (Franchise Agreement § 6.3)

12. Consult our Franchise Working Group (“FWG”), if we have one, regarding certain issues affecting all Businesses in the System. The FWG is comprised of franchisees who are elected by all franchisees in good standing. Each franchisee has one vote per franchise owned in the election for FWG members. The FWG’s role is advisory only and does not have operational or decision-making power. We have the power to change or dissolve the FWG.

13. We operate an online store that provides all necessary equipment to franchisees. Franchisees will be provided with access to this online store following completion of their initial training programs. We provide suggestions as to items each franchisee may wish to purchase but only require the purchase of the SMS Collar. All items ordered through our online store will be shipped directly to franchisees by us.

14. Offer sponsored monthly coaching sessions either directly or through our FWG, available through our online portal at no additional cost to you.



15. Provide you guidance in establishing prices for the products or services you sell. You will, however, be free to determine the price at which you sell products and services.

There is no specified date or period for us to complete our obligations stated above. Other than those mentioned above, we do not provide other supervision, guidance, or services during the operation of your Business.

### National Accounts

National Accounts are: any (i) potential or existing commercial customer that has multiple sites, offices, or retail premises located within and outside of your Trade Area, and (ii) any pet store, veterinarian, charitable organization which trains seeing-eye or service dogs, or similar or related business whose clientele include potential customers for Authorized Products and Services.

To competitively attract and effectively service National Accounts, we may establish policies governing the manner that National Accounts are solicited and serviced, including reserving to us, our affiliates or even to other franchisees, the exclusive right to solicit, enter and service national or regional contracts with National Accounts. You may not solicit National Accounts without our written consent. We may offer you a subcontract to furnish Authorized Products and Services on our behalf to National Accounts located in your Trade Area in our sole discretion and subject to the applicable customer's approval and terms and conditions. You are not obligated to accept any subcontract for a National Account. If we offer you a subcontract for a National Account and you accept the offer, you must sign a subcontract in the form we prescribe. If you decline the offer, or if you accept the offer, but we are advised by the National Account or we believe in good faith that the National Account is dissatisfied with your work, or it is otherwise necessary in our judgment in order to preserve the National Account or our reputation, we may offer the subcontract for the National Account to another franchisee or service the National Account ourselves. (Franchise Agreement § 7.12)

### Advertising

We do not have any central advertising fund. We do not have any obligation to conduct advertising for the System. We do not have an advertising council composed of franchisees that advises us on advertising policies. We do not require you to participate in a local or regional advertising cooperative.

#### *Local Advertising* (Franchise Agreement §§8.2, 8.5)

You must spend a minimum of 1% of your Gross Sales per quarter on advertising your Business in your local market. We will allow you to use your own marketing materials if your marketing materials use the Marks correctly, comply with System Standards and applicable law, and have been expressly approved by us in writing before their use. All advertising, promotion, and marketing must be completely clear, factual, and not misleading, and must conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we periodically require. Before you use them, you must send us or our designated agency for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you have not received a response from us within 15 days of the date that you submit advertising materials to us for approval, they will be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

Unless you are an existing franchisee of ours: (i) signing a Franchise Agreement as part of a successor (renewal) agreement; or (ii) purchasing a new, additional franchise from us, you may not under any circumstances have an independent website, domain name, or account using or containing any of our

Marks or intellectual property. If we do permit you to have such an online presence, it must always follow our rules and policies regarding such sites and you must always ensure that we have administrator-level access to such sites.

At our request, all advertising relating to your Business in your Trade Area must include a reference to the telephone number we designate, if any.

### Computer System

You must purchase, use and maintain the Computer System as specified in the Brand Standards Manual or by us in writing. The Computer System must meet our minimum requirements, which currently include a Macintosh or Windows-based computer that is three (3) or fewer years old and can send and receive email messages and our reports. If you already have a Computer System that meets these requirements, you will not have to buy any new one. You may purchase the Computer System from any supplier so long as it meets our minimum requirements. You are not required to buy or use an electronic cash register.

Your Computer System must be connected to the Internet through a service provider of your choice. You must also obtain all software and hardware, as we specify, including digital still and video cameras, to enable you to send and receive e-mail and digital photos and video and audio signals of completed customer projects in the form and manner we prescribe. The Computer System will store the business records of your business, including sales and customer information. We have the right to independently access all information collected or compiled by or in accordance with your use of the Computer System or Proprietary Software via any means available to us at any time without first notifying you. There are no contractual limits on our access to your information on the Computer System.

You must purchase any upgrades, enhancements or replacements to the Computer System that we require and there are no contractual limitations on the frequency or cost of required upgrades. (Franchise Agreement § 7.5.1) The approximate initial cost to you for the Computer System is \$0 to \$3,000. We estimate that the annual cost of optional or required updating or upgrading to be less than \$500, but we expect that you will have to update, upgrade or replace your Computer System approximately every three years. We estimate that the replacement Computer System will cost from \$500 to \$4,800. We recommend that you save a reasonable amount each year in anticipation of this expense. As of the date of this disclosure document, we have not specified any optional or required maintenance or support contracts, and therefore, we have not included the cost of hardware and software maintenance agreements, if any.

Neither we, nor any affiliate or third party, is obligated to provide ongoing maintenance, repairs, upgrades, or updates to the Computer System. We currently do not require that you purchase a maintenance, repair, upgrade or update service contract for the Computer System, but we reserve the right to do so in the future. We estimate that the annual cost of a service contract is about \$1,500.

We may require you to sign a license agreement for our Proprietary Software. If we require you to license or sublicense Proprietary Software, we (or our designee) will provide support services to you regarding the Proprietary Software at then-current rates. You must incorporate any changes we make to the Proprietary Software within 30 days of receiving notice from us. (Franchise Agreement § 7.5.2)

### Training (Franchise Agreement, Article 6)

Before you commence operation of your Business, we will provide our Initial Training Program to one individual for no fee. (Franchise Agreement § 6.1.1) You must have at least one Authorized Trainer that has satisfactorily completed our Initial Training Program to our satisfaction before you begin operating

your Business, and who must maintain as current all certifications we require. After the first trainee, our current fee is \$2,500 per person that attends the Initial Training Program, plus \$150 for a criminal background. If you bring people to our apprentice program (5 days during the Initial Training Program), you must pay a fee of \$1,000 per person. You must bear all travel, food, lodging, incidental, and other expenses incurred by you and your personnel in connection with the Initial Training Program.

The Initial Training Program will take place at a Sit Means Sit® franchisee-owned training facility we designate. (Franchise Agreement § 6.1.1) We provide the Initial Training Program twice a year. One training program will occur during the fall (August through November) and the other training program will occur during the spring (March through May).

If we determine that you or any of your employee’s progress during the Initial Training Program is unsatisfactory, we may terminate your Franchise Agreement without refunding any fees to you. Although we permit you to send your employees to the Initial Training Program, you are solely responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Business. (Franchise Agreement § 6.1.2)

We may choose not to provide the Initial Training Program if you or your Authorized Trainer has previously completed the Initial Training Program in connection with another Business; or if your Franchise Agreement is a Successor Franchise Agreement. (Franchise Agreement § 6.1.6)

The Initial Training Program consists of approximately 147 hours of training over roughly a 21-day period. The following table describes our Initial Training Program:

**TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Dog Training	48 hrs.	41 hrs.	A Sit Means Sit® franchisee-owned training facility we select
Business/Marketing	9 hrs.	3 hrs.	
Business Office	3 hrs.	0	
Miscellaneous Dog Training (specific problem issues)	3 hrs.	0	
Personal Dog Training	0	40 hrs.	
<b>Total</b>	<b>63 hrs.</b>	<b>84 hrs.</b>	

We will hold training as frequently as we determine necessary, but at least twice a year at the times described above. Training is presently conducted by Fred Hassen, and Alfredo Rivera. Training may also be conducted by other instructors who have at least one year experience in the Sit Means Sit System. Training materials will include our Brand Standards Manual.

*Fred Hassen: Chief Executive Officer*

Fred Hassen is our Chief Executive Officer and the founder and originator of the Sit Means Sit® dog training system – a studied, tested, proven, specialized approach that shows immediate results in the dog’s ability to maintain focus to the task at hand even around distractions in a nonconfrontational way. These methods have earned Fred the opportunity to train, not only the general dog owner’s dog, but celebrity and professional athletes’ dogs from around the globe as well.

*Alfredo Rivera: President*

Our President, Alfredo Rivera, has more than 25 years of experience in dog training (15 of those years Mr. Rivera has spent training dogs for competition). Mr. Rivera also has more than 25 years of experience

working in the corporate world, and has significant experience working in marketing, back office, and personnel issues in that capacity. Mr. Rivera has worked with us since we began offering licenses.

*Scott Sanchez: Trainer*

Scott Sanchez has more than 17 years of experience in dog training and in the Sit Means Sit® System, having owned a franchise of ours (Sugarcane K9) since 2009 and was a licensee of ours since 2007.

We require you (or your Authorized Trainer(s)) to be re-certified by us by attending our re-certification training, at our semi-annual training school once every three (3) years during the term of your franchise. We will not require you to pay a fee to attend these re-certification programs, but you will be responsible for paying the travel, lodging, and living expenses of each person who attends on your behalf. Currently, our re-certification training program lasts for ten (10) hours. If you fail to be re-certified within three (3) years of the day you completed the Initial Training Program or the last re-certification course, we will (in addition to all other rights and remedies given to us under the Franchise Agreement) charge you a \$2,500 missed recertification fee.

We will not charge a fee for Additional Training that we require you and/or your personnel to attend; however, we may establish charges for optional Additional Training courses that we make available to you. Our current fee for optional Additional Training courses is \$150 per attendee, per day. Regardless of whether the Additional Training course is mandatory or optional, you will bear all expenses for you and your personnel while attending Additional Training, regardless of whether the Additional Training is required or optional. If you send a person or people to our apprentice program (which takes place for a 5-day period during our Initial Training Program), you must pay us a fee of \$1,000 per person. (Franchise Agreement § 6.4)

We will conduct two (2) owners-only meetings each year. You are not required to attend an owners-only meeting, but if you do we will charge you a fee that will range from \$150 to \$350 per attendee. You must pay all travel expenses that you incur in connection with attending these meetings. (Franchise Agreement §§ 5.6 and 6.5)

You must train each of your employees who will conduct dog training to our satisfaction in accordance with the Brand Standards Manual. Before you begin operation of your Business, and always during the Term of your license, you must employ the number of trained employees and dog trainers necessary, in our judgment, to adequately operate the Business. (Franchise Agreement § 6.2)

## **Item 12 Territory**

You will receive an exclusive territory in your Trade Area (defined below). The franchise that we grant to you will be for the right to operate a single Business within a specific geographic area (the "Trade Area"). You and we will mutually select, define and agree upon your Trade Area before you sign the Franchise Agreement. Your Trade Area will be described on Exhibit A to your Franchise Agreement and may be defined by reference to streets, natural boundaries or ZIP codes or may be one or more cities, counties or states, or some other defined area, as constituted on the date of the Franchise Agreement. You may not relocate your Trade Area. If the boundary of the Trade Area is a street (including where the Trade Area is defined as a zip code, and the boundary of the zip code is defined as a named street), the center of the named street is the boundary.

Your Trade Area will contain a "dog population" of at least 50,000. We determine "dog population" by using United States Census data (for humans). We determine "dog population" by applying the following formula:

- (1) Divide total population by 2.5 to obtain “household population”
- (2) Multiply household population x .372 to obtain “dog-owning households”
- (3) Multiply dog-owning households by 1.7 to obtain “dog population.”

The exact boundaries of your Trade Area will depend on Trade Areas population density, the number of dogs in the area, the need for dog training classes within the area, and the territorial rights which have previously been given to existing franchisees, including those in the surrounding areas.

Except as described below, during the term of your Franchise Agreement, neither we nor any of our affiliates will conduct dog training classes, nor license others to do so, within your Trade Area.

We expressly reserve all other rights. These include the unrestricted right to engage in the activities listed below, either directly or through our affiliates or franchisees.

- (a) We reserve the right to own or operate: (i) Sit Means Sit Businesses at any location outside of your Trade Area, and (ii) business which may be similar to Sit Means Sit Businesses but which do not operate under the Marks, at any location within or outside of your Trade Area, whether or not those businesses use any portion of the Sit Means Sit System.
- (b) We reserve the right to manufacture, produce, license, distribute and market products that are the same as, similar to, or different from the products that we authorize you to sell (whether or not under the Marks), including books, videos, instructional materials, dog care products, dog training products, dog toys, foods and treats, leashes, collars, apparel and other retail items at or through alternative channels of distribution, including or not limited to any retail outlet that is not a Sit Means Sit Business (within or outside of your Trade Area), including specialty stores and through any distribution channel, at wholesale or retail, including by means of the Internet, Internet web site, mail order catalogs, telephone infomercials, direct mail advertising and other distribution methods.
- (c) We reserve the right to acquire or be acquired by, and subsequently operate and license others to operate non-“Sit Means Sit” businesses which may offer goods and services similar to or competitive with goods and services offered by your Business or related goods and services at any location and of any type or category whatsoever, within or outside of your Trade Area.
- (d) We reserve the right to solicit, sell and service National Accounts wherever located, including in your Trade Area.
- (e) We reserve the right to service a customer within the Trade Area (either directly or through a third party) in response to a customer complaint or other customer service issue.
- (f) We reserve the right to advertise within your Trade Area.

We will not provide any compensation to you if we exercise any of our rights listed above.

We have the right to terminate our grant, or reduce the size, of your Trade Area if you commit a material breach of the Franchise Agreement for, among other things, failing to maintain our standards or failure to pay royalty and other fees when they become due, and you fail to cure that breach after notice (if the breach can be cured). Otherwise, your exclusivity in the Trade Area is not dependent upon achievement

of a certain sales volume, market penetration or any other contingency, and there are no other circumstances under which your Trade Area may be altered.

On renewal, acquiring a successor franchise, or transferring your franchise, your Trade Area may be modified. Depending on then-current demographics of the Trade Area, and on our then-current standards for territories, if the Trade Area is larger than our then-current standard trade area, we may require you or the transferee to accept a successor franchise trade area or a transfer trade area smaller than the Trade Area we grant to you under this offering.

You are not required to operate your Business from a formal training facility. If you intend to operate from a facility (the “Training Facility”), you must obtain our advance consent and approval of the Training Facility. The Training Facility must be located within the Trade Area and you may not establish, construct, maintain or operate a physical office, or any type of sales or training facility outside of the Trade Area. You may not relocate the Training Facility without our prior written consent. We will consent to a relocation if the new location is within your Trade Area. If we consent to any relocation, you must de-identify the former Training Facility in the manner described in the Franchise Agreement with respect to your obligations upon termination and expiration.

#### Operating Outside of Your Trade Area

You may not conduct dog training classes in the trade area of any other Sit Means Sit franchisee. You and our other franchisees will be given the non-exclusive opportunity to operate your Businesses in areas contiguous to your Trade Area that have not been granted to another Sit Means Sit franchisee (each, an “Unassigned Area”). You are not allowed to construct or operate a physical office, training center or any type of sales or training facilities anywhere outside of your Trade Area, including within an Unassigned Area. You do not receive any right of first refusal or other rights of any type to acquire additional franchises because of your operations in an Unassigned Area and we may cancel or modify your right to operate in an Unassigned Area at any time. You may (for a maximum of 15 days) provide Authorized Products and Services for which appointments were received before we gave you notice to cease operating in an Unassigned Area.

You may not serve any customers or operate within any other franchisee’s trade area without that franchisee’s and our express written permission. That written permission may be conditional, granted, or withheld for any reason or no reason. If you obtain such written permission on a conditional basis, you must comply with all such conditions, and under no circumstances will the permission to serve one customer or operate at any location within that trade area be interpreted, assumed, or treated as permission to serve any other customer or operate at any other location.

Except as described above, we do not allow you to solicit or accept business from customers outside of your Trade Area. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing to make sales within or outside of your Trade Area.

#### Trade Area Reservation Agreement

We do not customarily grant options, rights of first refusal or similar rights to acquire additional franchises, although we do retain the right to grant such options or rights within our sole discretion.

We may, in our discretion, allow you to reserve a specific Trade Area for a period of one (1) year under our Trade Area Reservation Agreement (“TARA”) (Exhibit K). To reserve a Trade Area under the TARA, you must pay us a deposit of five thousand dollars (\$5,000) for each Trade Area you reserve. Under that contract, you must begin operating a Business within one (1) year of signing, which you will do by




signing our then-current form of Franchise Agreement and paying our then-current initial franchise fee (to which we will apply your deposit(s)).

You will have the right to extend the term of the TARA by one (1) year by paying us an additional deposit equal to one-half (1/2) of our then-current initial franchise fee, as it applies to you. If you do not open a Business within the reserved Trade Area in the time required, you will lose all rights under the TARA and we will have the right to sell the Trade Area or any portion of it to others.

We and our affiliates do not operate or franchise any business under a different trademark or service mark, and we and our affiliates currently do not have plans to do so.

**Item 13  
Trademarks**

We license you the right to operate a Business under the name “Sit Means Sit.” You may also use our other designated current or future trademarks to operate your Business. Our affiliate, SMSI, owns the following trademark registrations listed on the Principal Register of the U.S. Patent and Trademark Office:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
SIT MEANS SIT	3076692	4-Apr-06
SIT MEANS SIT	3704665	3-Nov-09
	3852127	28-Sep-10
	4679326	27-Jan-15
	6124267	11-Aug-20

SMSI has filed all required affidavits relating to the registered Marks shown above, and all Marks that required renewal have been renewed.

We and SMSI have signed a Trademark and Intellectual Property License Agreement under which SMSI has licensed us to use and sublicense the use of the Marks, for a period of 50 years commencing January 1, 2009 and continuing from year to year after that unless either of us elects not to renew at the end of the initial 50-year term or any 1-year renewal term. There are no circumstances when the agreement may be cancelled or modified. No affidavits have been required to be filed. Other than the license agreement referred to above, no agreements presently limit our right to use or license the use of these trademarks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceeding, or any pending material federal or state court

litigation involving the trademarks. We do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks.

You must notify us immediately in writing of any apparent infringement or challenge to your use of our trademarks. We have the sole discretion to take such action as we deem appropriate. We are not obligated by the Franchise Agreement or other agreement to participate in your defense or to indemnify you if you are a party to any administrative or judicial proceeding involving our Marks, but if we do defend you we will control any litigation or proceeding.

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition resulting from that use.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Marks, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions for such modification, discontinuance, or substitution within a reasonable time after you receive notice from us. You, in connection with the use of a new or modified mark, may be required, at your own expense, to change your existing branding, and to purchase new Mark-bearing items. We do not have to reimburse you for the costs you incur for making these changes.

## **Item 14 Patents, Copyrights, and Proprietary Information**

### Patents and Copyrights

No patents are material to the franchise. We and/or SMSI claim copyright protection of the Brand Standards Manual and related materials and other brand identity/marketing/advertisement/promotional materials, although such materials may not have been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in the Franchise Agreement. SMSI licenses us the right to use and license its copyrighted materials under the Trademark and Intellectual Property License Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate.

There currently are no effective determinations of the Copyright Office (Library of Congress), or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We do not know of any infringing uses which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any patent, trademark, or copyright.

### Confidential Information

Our confidential information may include our policies and the contents of our Brand Standards Manual, marketing concepts, customer lists and information, and operating methods and techniques (the “Confidential Materials and Practices”). The Franchise Agreement provides that you will not acquire any interest in the Confidential Materials and Practices other than the right to utilize it in the development and operation of a Business during the term of the Franchise Agreements, and that the use or duplication of the Confidential Materials and Practices in any other business would constitute unfair competition. You must follow all reasonable procedures we prescribe to prevent unauthorized use and disclosure of our Confidential Materials and Practices. You must inform your employees that have access to the Confidential Materials and Practices of their obligation to keep the information confidential and we may require that



they sign a written non-disclosure agreement or acknowledgment. A copy of our current form of Confidentiality Agreement, for use with your trainers, is attached as Exhibit “D-2.”

You must promptly notify us when you learn of unauthorized use of Confidential Materials and Practices or any Copyrighted Work. We do not have to take any action against any unauthorized user of these items but will respond to this information as we think appropriate. We are not obligated to indemnify you for losses brought by a third party for your use of this information. We have the right to control any litigation concerning any copyrighted work. We are not required to participate in your defense or indemnify you for expenses or damages involving a copyright that we license to you.

### Improvements

If you make or acquire any improvements, including any enhancements, adaptations, derivative works, modifications or new processes (“Improvements”) in the operation of the Business, you will grant-back exclusive rights in these Improvements to us in consideration of the grant of the franchise and without the payment of additional consideration. We may include any Improvements we made or acquired in our technology, including all intellectual property rights of ours and affiliate or services and products of the Business, Manual and the System for use by all of our franchisees, licensees, us or any affiliate. If we seek patent protection or copyright registration for any Improvements, we will do so at our own expense. You will sign or have the creator sign all documents necessary to enable us to apply for intellectual property rights protection and to secure all rights to these Improvements.

### **Item 15**

#### **Obligation to Participate in the Actual Operation of the Franchise Business**

You are not obligated to participate personally in your business, but you must designate an individual acceptable to us who will be principally responsible for supervising your Business and communicating with us about business, operational and other ongoing matters. We do not require that the designated individual own any equity interest in you or your Business. The designated individual must (a) devote full time and best efforts solely to the operation of your Business and to no other business activities, (b) meet our educational, experience, financial and other reasonable criteria, and (c) unless we agree otherwise, must attend and successfully complete our Initial Training Program.

If you are an entity, all of your direct and indirect stockholders, members, partners or trustees, and other persons that control the entity’s voting rights must sign our Owner Agreement (Exhibit C) assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement.

You must inform your employees that have access to the Confidential Materials of their obligation to keep the information confidential and we may require that they sign a written non-disclosure agreement or acknowledgment. A copy of our current form of Employee Confidentiality Agreement is attached as Exhibit “D-2.”

### **Item 16**

#### **Restrictions on What the Franchisee May Sell**

You may sell and offer only those products and services that we approve (“Authorized Products and Services”) in connection with your Business. You may not offer for sale any products or services not specifically approved by us in writing, and you may not use your Business Vehicle(s) or premises (if you have a Training Facility) for any other purpose than the operation of a Sit Means Sit Business and the sale of products or services approved by us. You must offer any products and/or services that we designate as required products and/or required services in the Manual (or otherwise in writing). Except for products you

sell to National Accounts, you may only sell products at retail, and not for resale. There are no limits on our ability to make changes to the products or services we require you to sell.

We may establish and maintain a warranty program as we deem appropriate. If we establish a warranty program, you must deliver the warranties to your customers on the forms, terms, and conditions we specify. You must perform promptly all required terms and conditions of all warranty programs.

You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. You may not sell products or services, or advertise products or services, within another franchisee’s Trade Area. You may not establish an account or participate in any social networking sites or mention or discuss the franchise, us, or any of our affiliates, without our prior written consent and as subject to our on-line policy, which may completely prohibit you from any use of the Marks in online. You may not sell products or services, or conduct training classes, outside of your Trade Area.

**Item 17  
Renewal, Terminations, 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.**

Provision	Section in Franchise or Other Agreements	Summary
a. Length of the franchise term	Franchise Agreement § 3.1; TARA § 2.	10 years from the effective date of the Franchise Agreement.  1 year from the effective date of the TARA.
b. Renewal or extension of the term	Franchise Agreement § 3.2; TARA § 6	If you are in good standing, you may enter into 1 successor franchise agreement, with a 10-year term. You have no further right to enter into additional successor franchise agreements, but may apply for the right to operate a Business under a new franchise agreement.  You may extend the deadline for opening under the TARA only once, for one (1) year.
c. Requirements for franchisee to renew or extend	Franchise Agreement §§ 3.2 – 3.4; TARA § 6	You must: (i) notify us between 9 and 12 months before your Franchise Agreement expires that you intend to exercise your right to a successor franchise agreement; (ii) have complied with your obligations under your initial franchise agreement, the Brand Standards Manual and all other agreements then in effective between you and us or our affiliates and all agreements between you and Suppliers; must comply with our then-current qualification, certification, and training requirements; (iii) all trainers must possess a valid driver’s license for the state in which your Trade Area is located; (iv) not have committed 3 or more material breaches during any 12 month period; (v) sign a general release; (vi) if we permit you to offer boarding services, you must not have received more than 3 complaints relating to the health, safety, care,

Provision	Section in Franchise or Other Agreements	Summary
		<p>or welfare of animals in your care; and (vii) sign a new franchise agreement, which may differ from the current form of franchise agreement.</p> <p>Although this table uses the term “renewal,” it refers to extending our relationship at the end of your initial term and you must, at our option, sign a new franchise agreement that may have materially different terms and conditions from your original franchise agreement.</p> <p>Under the TARA you may extend the deadline for commencing your Business if you pay us an additional deposit equal to fifty percent (50%) of our then-current initial franchise fee.</p>
d. Termination by franchisee	Franchise Agreement § 15.8	Subject to state law, you may terminate if we materially default, and if we do not cure the default within 60 days after our receipt or written notice from you detailing the alleged default.
e. Termination by Sit Means Sit without cause	None	The Franchise Agreement does not provide for termination without cause.
f. Termination by Sit Means Sit with cause	Franchise Agreement §§ 15.1-15.7; TARA § 6 and 9	<p>We can terminate only if you default under your Franchise Agreement.</p> <p>We can terminate the TARA if: (a) any other agreement between you and us is terminated; or (b) if you do not open before the deadline.</p>
g. “Cause” defined – curable defaults	Franchise Agreement § 15.4	You have 5 days to cure non-payment of fees and 10 days to cure defaults not listed in Sections 15.2 and 15.3 of your Franchise Agreement.
h. “Cause” defined – non-curable defaults	Franchise Agreement §§ 15.2- Franchise Agreement 15.3; TARA § 9	<p>Non curable defaults are: (i) bankruptcy or insolvency; (ii) a judgment against you remains unsatisfied; (iii) your business or assets are seized, taken over or foreclosed upon; (iv) a levy of execution of attachment up on Franchise Agreement or upon any property used in the Business; (v) if you allow or permit any judgment to be entered against us or any of its our affiliates, arising out of or relating to the operation of the Business; (vi) if you, your Authorized Trainer(s), or any trainer is convicted of or pleads guilty or nolo contendere to a felony or any other crime (including any crime or offense relating to the operation of a motor vehicle) or offense which may adversely affect our reputation and the system; (vii) imminent danger to animals in your care, or public health and safety violations; (viii) failure to comply with your confidentiality or non-competition provisions of your franchise agreement; (ix) abandonment, or failure to open the Business within 60 days after completing the Initial Training Program; (x) Assignment without our consent; (xi) you commit more than two defaults in any twelve-month period,</p>

Provision	Section in Franchise or Other Agreements	Summary
		<p>even if you have cured them; (xii) violation of law which is not cured within 10 days; (xiii) trademark and confidential information misuse; (xiv) misrepresentations in connection with the acquisition of the franchise; (xv) you injure, cause injury to, or operate your Franchised Business in a way that is (in our sole opinion) reasonably likely to result in injury to any animal that is in your care; (xvi) you fail to communicate with us about a Crisis Management Event or to take such remedial action in response to a Crisis Management Event as we reasonably direct; (xvii) if we have permitted you to offer boarding services, you receive 2 or more complaints within any month regarding the health, welfare, care, or safety of animals in your care; or (xviii) you fail to obtain re-certification within three (3) years of your completing the Initial Training Program and you: (a) fail to pay the \$2,500 fee for missing such training; or (b) have missed more than one (1) consecutive re-certification training program.</p> <p>It is a non-curable default under the TARA for you to: (a) not sign a franchise agreement and begin operating your Business by the deadline; or (b) have another agreement between you and us terminated.</p>
i. Your obligations on termination/non-renewal	Franchise Agreement Article 16	<p>You must stop using our Marks; stop using all photographs, images, videos, testimonials and advertisements; pay all amounts due to us; return the Brand Standards Manual, all training materials, electronic files, records, customer lists, files, advertising and promotional materials and all other written materials incorporating our trade secrets; makes cosmetic changes to your Vehicle(s) so that they no longer resemble our proprietary design; at our direction and election, either refund the pro rata amount remaining on any prepayments you have received or pay that money to us or our designee to fulfill remaining prepaid services; reimburse us for any amounts we have spent on your behalf to protect our relationship with customers of your former Business; upon receiving notice from us, assign to us or our designee (or, at our election, terminate) all voice and data telephone numbers used in connection with your Business; authorize and instruct the telephone company and all listing agencies of the termination of your right to use any telephone number or listing associated with your Business and authorize and instruct the telephone companies and listing agencies to transfer and assign the telephone numbers and directory listing to us, sign and deliver to us all documents that must be filed with any governmental agency indicating</p>

Provision	Section in Franchise or Other Agreements	Summary
		that you are no longer licensed to use our Marks. See also “r” below.
j. Assignment of contract by Sit Means Sit	Franchise Agreement § 14;1; TARA § 8	We may transfer the Franchise Agreement or the TARA without your consent. There are no restrictions on our right to assign.
k. “Transfer” by franchisee – defined	Franchise Agreement § 14.2.1 and Appendix 1 (Defined as “Assignment”); TARA § 7.	Includes transfer of the agreement, assets or sale of stock, or change in ownership of a franchisee which is an entity. You may transfer the Franchise Agreement and all rights under the Franchise Agreement subject to certain restrictions.  You may not transfer the TARA.
l. Sit Means Sit approval of transfer	Franchise Agreement § 14.2	Transfers require our express written consent. We have the right to approve all transfers, but will not unreasonably withhold approval.  You may not transfer the TARA.
m. Conditions for franchisor approval of transfer	Franchise Agreement §§ 14.2 & 14.4	New franchisee must qualify, assume the Franchise Agreement or sign a new Franchise Agreement, complete training, refurbish or replace, if necessary the Vehicle(s) used in connection the Business to conform to our current specifications. You must not be default under the terms of your Franchise Agreement or any other related agreements with us or under any agreement with our affiliates or the Brand Standards Manual. Your buyer must assume all prepaid service obligations to customers of your Business. You must: provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the Franchisee; pay all amounts then-due to us; sign a general release; sign a guarantee; provide us with all documents relating to the transfer, disclose to us all material information that we request regarding the transferee, the purchase price, and the terms of the transfer, and pay an administrative / transfer fee. If we determine that the assignee must attend the Initial Training Program, you must pay our then current training fee and our travel expenses to provide training. (See also “r” below). If the new franchisee is a business entity, all owners of an interest in the new franchisee must sign a guaranty.
n. Sit Means Sit’s right of first refusal to acquire franchisee’s business	Franchise Agreement § 14.3	We can match any offer for your Business. You must give us written notice of intent to sell or otherwise transfer the Franchise Agreement. We have 60 days from the date that you give us written notice to determine whether we will exercise our right of first refusal. We have the right of first refusal to purchase the Business or assets for which you have received a good faith offer to purchase, on the same terms as contained in the offer.

Provision	Section in Franchise or Other Agreements	Summary
o. Sit Means Sit's option to purchase franchisee's business	None	No provision.
p. Death or disability of franchisee	Franchise Agreement § 15.3.2	Same requirements as for transfer in "m" above, however, we will allow up to 6 months after your death or disability for your heirs, personal representatives or conservators ("Heirs") to (a) assume your Franchise Agreement or enter into a new franchise agreement (for which we will not charge an initial fee or transfer fee) or (b) sell the Business to an assignee approved by us. Upon the death or legal incapacity of one of your owners owning 25% or more of the equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 25% or more of any of the partnership rights of a Franchisee which is a partnership, we will allow a period of up to 6 months after the death or legal incapacity for your Heirs to get our consent to the transfer or assignment of the stock, membership interests or partnership rights to the Heirs or to another person we accept. If, within the 6 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Business to a person we approve, or fail either to get our consent to the Assignment of the stock, membership interest or partnership rights to the Heirs or to another person we accept, the Franchise Agreement will automatically terminate.
q. Non-competition covenants during the term of the franchise	Franchise Agreement § 13;1.1; TARA § 7	You cannot engage in "Competitive Activities," defined as: owning, operating, lending, advising, employing or having any financial interest in any business that engages in providing dog training services, or training others who provide dog training (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement § 13;1.2; TARA § 7	Except with our express written consent, you must not have any involvement in any Competitive Activities (defined above), for 2 years at: (i) any site within your Trade Area; (ii) any other geographic areas where you have operated the Business; or (iii) the designated trade area of other Sit Means Sit franchisees. Also, except with our express written consent, you may not solicit business from an individual or business entity that was one of your customers during the 2-year period preceding the termination of your Franchise Agreement (subject to state law).
s. Modification of the agreement	Franchise Agreement § 21.7; TARA § 10	The agreement may be modified only by written agreement between the parties. The Brand Standards Manual are subject to change by us in our sole discretion, and you are required to comply with any such changes made by us.

Provision	Section in Franchise or Other Agreements	Summary
t. Integration/Merger clause	Franchise Agreement § 22.3; TARA § 10	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Franchise Agreement Article 20; TARA § 7	Subject to state law, both of us agree to attempt to resolve any dispute in a non-binding mediation held in Las Vegas, Nevada before commencing any proceeding.
v. Choice of forum	Franchise Agreement § 20.2; TARA § 7	Subject to state law, all proceedings will be held in Las Vegas, Nevada. Both of us waive the right to a trial by jury. See any state-specific addendum attached to this disclosure document in “Exhibit J.”
w. Choice of law	Franchise Agreement § 21.6; TARA § 10	Subject to state law, Nevada law applies. See any state-specific addendum attached to this disclosure document in “Exhibit J.”

**Item 18  
Public Figures**

We do not use any public figures to promote this 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 license and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Alfredo Rivera, 6295 McLeod Drive #2, Las Vegas, Nevada 89120, (702) 877-4581; the Federal Trade Commission; and the appropriate state regulatory agencies.

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**Item 20**  
**Outlets and Franchisee Information**

Table No. 1  
Systemwide Outlet Summary  
For Years 2021 through 2023

<b>Business Type</b>	<b>Year</b>	<b>Businesses at the Start of the Year</b>	<b>Businesses at the End of the Year</b>	<b>Net Change</b>
Franchises	2021	136	146	+10
	2022	145	158	+13
	2023	157	159	+2
Company- and Affiliate-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Businesses	2021	136	146	+10
	2022	145	158	+13
	2023	157	159	+2

Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Sit Means Sit)  
For Years 2021 through 2023

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Arizona	2021	2
	2022	0
	2023	0
Arkansas	2021	1
	2022	0
	2023	0
California	2021	1
	2022	0
	2023	0
Colorado	2021	0
	2022	0
	2023	1
Delaware	2021	0
	2022	1
	2023	3
Florida	2021	1
	2022	3
	2023	0
Maryland	2021	0
	2022	1
	2023	0
Nevada	2021	0



	2022	5
	2023	0
Texas	2021	0
	2022	2
	2023	0
Totals	2021	5
	2022	12
	2023	1

Table No. 3  
Status of Franchised Outlets  
For Years 2021 through 2023\*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Sit Means Sit	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	0	0	0	0	0	0	0
Arizona	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Arkansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	6	1	0	0	0	0	7
	2022	7	1	0	1	0	0	7
	2023	7	0	0	0	0	0	7
Colorado	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Connecticut	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Delaware	2021	0	1	0	0	0	0	1
	2022	1	2	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Florida	2021	19	1	0	0	0	0	20
	2022	20	1	0	0	0	2	19
	2023	19	0	0	0	0	0	19
Georgia	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Hawaii	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Sit Means Sit	Ceased Operations – Other Reasons	Outlets at End of the Year
	2023	4	0	0	0	0	0	4
Indiana	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Maine	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	6	1	0	1	0	1*	5
	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Massachusetts	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	6	0	0	0	0	0	6
	2022	6	0	1	0	0	0	5
	2023	5	0	0	0	0	0	5
Minnesota	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Missouri	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Montana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	7	1	2	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
New Hampshire	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Mexico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
North Carolina**	2021	3	2	0	0	0	0	5
	2022	5	2	0	0	0	0	7
	2023	7	0	1	0	0	0	6
Ohio	2021	8	0	0	0	0	0	8

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Sit Means Sit	Ceased Operations – Other Reasons	Outlets at End of the Year
	2022	8	0	0	0	0	0	8
	2023	8	1	0	0	0	0	9
Oklahoma	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Oregon	2021	2	1	0	0	0	0	3
	2022	3	0	0	2	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
South Carolina**	2021	0	1	0	0	0	0	1
	2022	0	7	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Tennessee	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	1	0	0	0	0	5
Texas	2021	18	3*	0	0	0	0	21
	2022	21	0	0	0	0	0	21
	2023	21	1	2	0	0	0	20
Utah	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Virginia	2021	7	0	0	0	0	0	7
	2022	7	0	0	2	0	0	5
	2023	5	2	0	0	0	0	7
Washington	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Wisconsin	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Wyoming	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Total Outlets	2021	136	11	2	1	0	3	146
	2022	145	20	1	5	0	2	158
	2023	157	5	3	0	0	0	159

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

\* In 2021, the majority owners of our franchise in Annapolis, Maryland voluntarily terminated their Maryland franchise with us and relocated to Frisco, Texas, where they signed a new franchise agreement with us.

\*\* A franchisee has a Trade Area that includes ZIP codes in both North and South Carolina. To avoid double-counting, we list that franchise in South Carolina only.

Table No. 4  
Status of Company-Owned Outlets  
For Years 2021 through 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5  
Projected Openings for 2024 As of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Indiana	0	1	0
Total	0	1	0

Attached as **Exhibit F-1** are the names of all current franchisees and the address and telephone number of each of their outlets.

Attached as **Exhibit F-2** is the name, address and last known telephone number of all franchisees of ours who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during 2023 or who have not communicated with us or our Affiliate 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.

Some of our current and former franchisees have signed confidentiality clauses with us during the last three years limiting their ability to discuss their personal experience as a franchisee in the System. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Sit Means Sit Franchise, Inc. 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 are not aware of any trademark-specific franchisee organization associated with our franchise system.

## Item 21 Financial Statements

Our audited financial statements as of December 31, 2021, December 31, 2022, and December 31, 2023, are attached as Exhibit G. Our fiscal year end is December 31.

We are also attaching non-audited financial statements dated June 30, 2024. THESE FINANCIAL

STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

## **Item 22 Contracts**

Attached are the current forms of the following agreements:

- A. Franchise Agreement
  - Addenda To Franchise Agreement
  - A: Information Regarding Franchisee and the Franchised Business
  - B: Electronic Funds Transfer Authorization and Auto Debit Form
  - C: Collateral Assignment of Phone Numbers, Internet Addresses, and Social Media Identities
  - D: Compliance Questionnaire
  - We will not ask you to complete the Compliance Questionnaire, and we will disregard any answers from you, if you live or plan to operate your franchise in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, Wisconsin.**
  - E: Deposit Acknowledgment
- B. General Release
- C. Owner Agreement
- D. Form of Confidentiality and Non-Competition Agreement
- E. Form of Confidentiality Agreement
- J. State-Specific Addendum
- K. Trade Area Reservation Agreement
  - Exhibits to Trade Area Reservation Agreement
  - A: Description of Reserved Trade Areas
  - B. Form of Current Franchise Agreement

## **Item 23 Receipts**

You will find copies of a detachable receipt in Exhibit M at the end of this disclosure document.

**Exhibit A**

**Franchise Agreement**

## TABLE OF CONTENTS

<b>ARTICLE 1 DEFINITIONS &amp; APPLICABLE INFORMATION</b> .....	1
The terms.....	1
<b>ARTICLE 2 GRANT</b> .....	1
2.1 Grant.....	1
2.2 No Sublicensing Rights .....	2
2.3 Territorial Rights.....	2
2.4 Operation Outside of the Trade Area .....	3
<b>ARTICLE 3 TERM</b> .....	3
3.1 Term.....	3
3.2 Successor Agreement.....	3
3.3 Form and Manner of Exercising Successor Agreement Right.....	4
3.4 Conditions Precedent to Entering into a Successor Franchise Agreement .....	4
3.5 Interim Term.....	5
<b>ARTICLE 4 LICENSED BUSINESS</b> .....	5
4.1 Required Equipment; Vehicles.....	5
4.2 Maintaining Vehicles .....	5
4.3 Training Facility .....	5
4.4 Commencement of Business and Continuous Operation .....	6
<b>ARTICLE 5 PAYMENTS</b> .....	6
5.1 Initial Fee .....	6
5.2 Continuing Royalty.....	6
5.3 Timing of Payment.....	6
5.4 EFT.....	6
5.5 Convention Attendance; Fees .....	6
5.6 Non-Compliance Assessment.....	7
5.7 Inflation Adjustments.....	7
5.8 Other Payments.....	7
5.9 Application of Funds.....	7
5.10 Interest and Charges for Late Payments.....	7
<b>ARTICLE 6 TRAINING</b> .....	8
6.1 Initial Training Program.....	8
6.2 Staff.....	8
6.3 On-going Advice and Assistance.....	9
6.4 Additional Training .....	9
6.5 Periodic Meetings.....	9
<b>ARTICLE 7 STANDARDS OF OPERATOR QUALITY AND SERVICE</b> .....	9
7.1 Compliance with Applicable Law.....	9
7.2 Responsible Person .....	10
7.3 Product Line and Service .....	10
7.4 Sale at Retail; Containers Fixtures and Other Goods .....	11
7.5 Computer System.....	11
7.6 Brand Standards Manual.....	12
7.7 Notification of Legal Proceedings and Crisis Management Events.....	12
7.8 Signs, Designs and Forms of Publicity .....	13
7.9 Uniforms and Employee Appearance .....	13
7.10 Co-Branding .....	13
7.11 Intranet.....	13
7.12 National Accounts.....	13
7.13 Improvements.....	13
7.14 Customer Relations.....	14

<b>ARTICLE 8 ADVERTISING .....</b>	<b>14</b>
8.1 General Requirements.....	14
8.2 Local Advertising.....	15
8.3 Telephone Numbers and Directory Advertising .....	15
8.4 Promotional Campaigns.....	15
<b>ARTICLE 9 INTERNET AND INTERNET SALES .....</b>	<b>15</b>
9.1 Internet .....	15
9.2 Internet Sales.....	16
9.3 Internet Referral Sources.....	16
<b>ARTICLE 10 DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS .....</b>	<b>16</b>
10.1 Inventory .....	16
10.2 Designated Products.....	17
10.3 Ancillary Products.....	17
10.4 Purchases from us or our Affiliates .....	18
10.5 Customer Information; Comment Cards.....	19
<b>ARTICLE 11 REPORTS, BOOKS AND RECORDS, INSPECTIONS .....</b>	<b>19</b>
11.1 General Reporting.....	19
11.2 Employment Practices .....	20
11.3 Inspections.....	20
<b>ARTICLE 12 MARKS .....</b>	<b>21</b>
12.1 Use of Marks .....	21
12.2 Non-Use of Trade Name.....	21
12.3 Non-ownership of Marks .....	21
12.4 Defense of Marks .....	21
12.5 Prosecution of Infringers .....	21
12.6 Modification of Marks .....	21
12.7 Acts in Derogation of the Marks .....	21
12.8 Assumed Name Registration .....	22
<b>ARTICLE 13 COVENANTS REGARDING OTHER BUSINESS INTERESTS .....</b>	<b>22</b>
13.1 Non-Competition .....	22
13.2 Trade Secrets .....	22
13.3 Effect of Applicable Law; Tolling.....	24
13.4 Business Practices.....	24
13.5 Survival .....	24
<b>ARTICLE 14 ASSIGNMENT.....</b>	<b>24</b>
14.1 Assignment by us.....	24
14.2 Assignment by you.....	24
14.3 Right of First Refusal.....	26
14.4 Business Entity.....	27
14.5 Non-Waiver of Claims. 27	
<b>ARTICLE 15 DEFAULT AND TERMINATION .....</b>	<b>27</b>
15.1 General.....	27
15.2 Automatic Termination Without Notice .....	27
15.3 Option to Terminate Immediately With Notice.....	28
15.4 Termination With Notice and Opportunity To Cure.....	29
15.5 Reimbursement of our Costs.....	30
15.6 Cross-Default .....	30
15.7 Notice Required By Law .....	30
15.8 Our Default .....	30
<b>ARTICLE 16 RIGHTS AND OBLIGATIONS UPON TERMINATION.....</b>	<b>31</b>



16.1	General.....	31
16.2	Liquidated Damages.....	32
ARTICLE 17	INSURANCE.....	32
17.1	Insurance.....	32
17.2	Use of Proceeds .....	32
ARTICLE 18	RELATIONSHIP OF PARTIES .....	32
18.1	Your Relationship to Us.....	32
18.2	Indemnity by You .....	33
ARTICLE 19	NOTICES .....	34
19.1	General.....	34
ARTICLE 20	MEDIATION; WAIVER OF JURY TRIAL; VENUE .....	34
20.1	Mediation .....	34
20.2	Claims Excluded.....	34
20.3	Claims Limitation Period. ....	35
20.4	Waiver of Jury Trial; Venue .....	35
20.5	WAIVER OF CLASS OR GROUP ACTION.. ....	35
20.6	WAIVER OF PUNITIVE DAMAGES.....	35
ARTICLE 21	MISCELLANEOUS PROVISIONS .....	36
21.1	Our Right To Cure Defaults.....	36
21.2	Waiver and Delay .....	36
21.3	Survival of Obligations .....	36
21.4	Successors and Assigns; Benefit.....	36
21.5	Joint and Several Liability.....	36
21.6	Governing Law .....	36
21.7	Titles For Convenience .....	37
21.8	Gender and Construction .....	37
21.9	Severability.....	37
21.10	Counterparts.....	37
21.11	Fees and Expenses .....	37
ARTICLE 22	ACKNOWLEDGMENTS.....	38
22.1	General.....	38
22.2	Due Execution.....	38

Addenda To Franchise Agreement

A: Information Regarding Franchisee and the Franchised Business

B: Electronic Funds Transfer Authorization and Auto Debit Form

C: Collateral Assignment of Phone Numbers, Internet Addresses, and Social Media Identities

D: Compliance Questionnaire

E: Deposit Acknowledgment

## FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** (this “**Agreement**”) is made on the Effective Date by and between **SIT MEANS SIT FRANCHISE, INC.**, a Nevada corporation (“**we,**” “**us,**” or “**our**”), and the person or Business Entity identified on Addendum “A” (“**you**” or “**your**”).

### *Introduction: This Franchise Agreement*

This franchise agreement (“**Agreement**”) is written in a conversational tone to make it easier to read. In the context of the Agreement, Sit Means Sit Franchise, Inc. is referred to as “we,” or “us.” When we refer to things we own or our obligations, we use the word “our.” The person, persons, or legal entity that sign this Agreement are collectively referred to as “you,” and the obligations you have or the things you own are referred to as “your.” When we refer to “you” or “your,” we are also referring to each of your Owners and the obligations that each of your Owners has to us. We require each of your Owners to sign the Guaranty, which is attached as Exhibit C to our franchise disclosure document.

In the Agreement, we sometimes capitalize the words we use. These are called “defined terms,” and whenever we use one of them, we are referring to the definition we have assigned to the word. When a word appears in parentheses, quotes, and bold, we are informing the reader that the word has been defined by the text surrounding the word where it appears. At the end of the Agreement, we have included an Appendix to help you easily locate the definition of a defined term.

The Agreement is organized into segments, articles, and sections. In the segment entitled “Recitals,” we state the purpose for this Agreement. We will rely on all the statements, representations, understandings, and promises you make to us in this Agreement when we decide to counter-sign this Agreement.

## RECITALS

A. We own the right to franchise certain proprietary and other property rights and interests in the “Sit Means Sit” trademark and such other trademarks and commercial symbols we may authorize or direct you to use in connection with the operation of the Franchised Business (“**Marks**”).

B. We have the right to sublicense, a system for the operation of businesses providing dog training services and the sale of dog care products, dog training products, dog toys, leashes, collars, apparel, and other goods and services, which includes various operating methods, techniques, Policies, products, distinctive signs, Trade Secrets, record-keeping and marketing techniques (the “**System**”).

C. You want the right to operate a Business in strict accordance with the System and Policies, and we are willing to grant you such right under the terms and conditions of this Agreement.

You and we therefore agree as follows:

## ARTICLE 1 DEFINITIONS & APPLICABLE INFORMATION

The terms “**Authorized Trainer,**” “**Initial Fee,**” and “**Business Address**” are each defined and identified on Addendum “A” to this Agreement. All other terms are defined in Appendix 1.

## ARTICLE 2 GRANT

2.1 **Grant.** We award, and you accept, the right and obligation during the Term to use and display the Marks, and to use the System to operate one (1) Business solely within the Trade Area, in strict compliance with the terms of this Agreement. You are not permitted to operate the Franchised

Business anywhere outside of the Trade Area unless you have our written permission for the limited purposes stated in Section 2.4.

2.2 **No Sublicensing Rights.** You do not have the right to subdivide, sublicense, subfranchise, subcontract, or enter into any management agreement providing to a third party the right to operate the Franchised Business, or to use the Marks or System.

2.3 **Territorial Rights.**

2.3.1 Except as stated in Section 2.3.2, during the Term neither we nor any of our Affiliates will conduct, franchise, or license others to conduct dog training classes within the Trade Area using the Marks.

2.3.2 You agree that we and/or our Affiliates may engage in any business activity whatsoever in or outside the Trade Area except as we are restricted by Section 2.3.1, and that this Agreement does not give you any right to participate in or benefit from any such other business activity. We reserve all other rights, including, the exclusive, unrestricted rights, to ourselves and through our employees, Affiliates, representatives, franchisees, assigns, agents and others to directly and indirectly:

(a) own or operate: (1) “Sit Means Sit” Businesses at any location outside the Trade Area and without regard to their proximity to the boundaries of the Trade Area; and (2) businesses, including those that may be the same as or similar to a Business, which operate under names other than the Marks, at any location, and of any type whatsoever, without regard to their proximity to the Trade Area and whether or not such businesses use any portion of the System;

(b) offer and sell within and outside your Trade Area, and under the Marks, all products or services and/or their components (including those used or sold by the Franchised Business), whether or not a part of the System, through any method of distribution other than a Business situated within the Trade Area. These rights include, without limitation, the right to offer and sell services within such alternative channels of distribution as the Internet; “800” or similar toll-free telephone numbers; supermarkets, specialty stores, pet stores, grocery stores and convenience stores; mail order; catalogs; television sales (including infomercials); direct mail advertising, or any other channel of distribution whatsoever, except for a “Sit Means Sit” Business;

(c) purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network or any other business regardless of the location of that other business’s facilities. Following that we may operate, franchise or license those other businesses and/or facilities under any names or marks other than the Marks, regardless of whether those businesses and/or facilities are within or immediately proximate to the Trade Area;

(d) solicit, sell to and service National Accounts wherever located, including in the Trade Area, provided that we may, in our discretion, establish and modify or withdraw, from time to time, the terms and conditions upon which you may solicit or service National Accounts subject to Section 7.12. Only we will have the right to enter into contracts with National Accounts (which may include facilities within the Trade Area);

(e) Service a customer within the Trade Area (either directly or through a third party) in response to a customer complaint or other customer service issue, as discussed below in Section 2.5; and

- (f) advertise within the Trade Area.

#### 2.4 **Operation Outside of the Trade Area.**

2.4.1 You will be permitted to operate the Franchised Business in areas contiguous to the Trade Area which have not been assigned to any another franchisee (each an “**Unassigned Area**”). You acknowledge that other franchisees in your area will have similar opportunities to provide services within the Unassigned Area. These rights may continue until a franchisee purchases from us the exclusive right to operate in the Unassigned Area. You may not establish, construct, maintain or operate a physical office, training center, or any type of sales or training facility outside of the Trade Area. You will not receive any right of first refusal or any other type of rights to an Unassigned Area because you operate or operated there. We may sell any Unassigned Area territory at any time, without giving you advance notice. After we give you notice to cease operating in the Unassigned Area, you may (for a maximum of 15 days) provide Authorized Products and Services for which appointments or orders were received before we gave you notice to cease operating in the Unassigned Area. You must, if asked to do so (and without compensation), orderly transition your customers in the applicable Unassigned Area to our designee.

2.4.2 You may not serve any customers or operate within any other franchisee’s trade area without that franchisee’s and our express written permission. That written permission may be conditional, granted, or withheld for any reason or no reason. If you obtain such written permission on a conditional basis, you must comply with all such conditions, and under no circumstances will the permission to serve one customer or operate at any location within that trade area be interpreted, assumed, or treated as permission to serve any other customer or operate at any other location.

2.5 **Customer Service and Complaint Resolution.** If you fail to adequately service a customer, or if a customer complains about your services, to address the customer’s complaint and preserve the goodwill of the franchise system, we reserve the right to service the customer directly or engage another party (including another franchisee) to do so, even if the customer is within your Trade Area. You must promptly notify us of any customer complaints and cooperate fully with us in resolving the issue. This includes providing us (or the servicing party) any necessary information and access to facilitate the resolution process. You must reimburse us (or the servicing party) for any costs incurred by us or the third party in servicing the customer. These rights are in addition to all other rights we have under the Agreement, including and up to termination.

### ARTICLE 3 TERM

3.1 **Term.** The “**Term**” of this Agreement begins on the Effective Date and will continue for a period of 10 years, unless sooner terminated in accordance with this Agreement.

3.2 **Successor Agreement.** You will have the right at the expiration of the Term (the “**Successor Agreement Right**”) to enter into a new franchise agreement in the form we are then generally offering to prospective new franchisees (the “**Successor Franchise Agreement**”). The Successor Franchise Agreement may be substantially different from this Agreement in all material respects, including without limitation a smaller Trade Area, and will be for a 10-year period (the “**Successor Term**”). The term of the Successor Franchise Agreement will commence upon the date of expiration of the Term; provided, however, that: (a) you will not be required to pay an initial fee upon execution of the Successor Franchise Agreement; (b) except for adjustments as set forth in Section 5.8, you will not be required to pay a higher Continuing Royalty than the one you are paying us under this

Agreement at the end of the Term; and (c) your available rights to obtain successor terms will be modified to conform to the Successor Agreement Right.

3.3 **Form and Manner of Exercising Successor Agreement Right.** You must exercise the Successor Agreement Right, if at all, strictly in the following manner:

3.3.1 Between 9 months and 12 months before the expiration of the Term, you must notify us in writing (“**Notice of Election**”) that you intend to exercise the Successor Agreement Right. No sooner than immediately after the expiration of any waiting period(s) required by Applicable law and no more than 30 days after you receive our franchise disclosure document (if applicable), you must execute the copies of the Successor Franchise Agreement and return them to us.

3.3.2 If you exercise the Successor Agreement Right in accordance with Section 3.3.1 and satisfy all of the conditions contained in Section 3.4, we will execute the Successor Franchise Agreement and deliver one fully executed copy to you. Your failure to timely to perform any of the acts, or timely deliver any of the notices required pursuant to the provisions of Sections 3.3 or 3.4, will automatically cause your Successor Agreement Right to lapse and expire.

3.4 **Conditions Precedent to Entering into a Successor Franchise Agreement.** Your Successor Agreement Right is conditioned upon your fulfilling each of the following conditions:

3.4.1 At the time you deliver your Notice of Election to us, and always until the commencement of the Successor Term, you must have fully performed all of your material obligations under this Agreement, the Brand Standards Manual and all other agreements then in effect between you and us or our Affiliates, and all agreements between you and Suppliers.

3.4.2 You must not have been convicted of any felony or have pled guilty or nolo contendere to any crime or trespass against a human being or an animal.

3.4.3 If we have permitted you to offer boarding services, you must demonstrate to us that you have operated and maintained your boarding facility or area in a clean, sanitary, and safe condition, and that you have not during the Term received more than three complaints within any twelve-month period regarding the safety, welfare, or care of any of the animals being boarded.

3.4.4 The person(s) designated by you as a trainer(s) will each possess a valid driver’s license for the state in which the Trade Area is located.

3.4.5 Without limiting the generality of Section 3.4.1, you must not have received from us 3 or more notices of material default of this Agreement during any period of 36 consecutive months during the Term, regardless of whether such defaults were cured.

3.4.6 At the time you sign the Successor Franchise Agreement, you and your Affiliates must execute and deliver to us a general release on the form required by us, of any and all known and unknown claims against us and our Affiliates and our Owners, officers, directors, agents, and employees. Our current required form is attached to the Franchise Disclosure Document as Exhibit B.

3.4.7 You must comply with our then-current qualification, certification, re-certification, and training requirements and pay all Travel Expenses you incur.

3.5 **Interim Term.** If you do not sign the Successor Franchise Agreement prior to the expiration of this Agreement and you continue to accept the benefits of this Agreement after the expiration of this Agreement, then at our option, this Agreement may be treated either as: (i) expired as of the date of expiration, with you operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“**Interim Term**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Term, in which case the Interim Term will terminate 30 days after receipt of the notice to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Term.

## **ARTICLE 4 LICENSED BUSINESS**

### **4.1 Required Equipment; Vehicles.**

4.1.1 We will provide you with copies of the Policies for required equipment (including computer equipment), inventory, supplies, materials, and signs. You must, at your sole expense, promptly obtain those items in accordance with the Policies, unless we otherwise agree in writing.

4.1.2 You must have one or more trucks or sport-utility vehicles (each a “**Vehicle**” and more than one “**Vehicles**”) to sell and perform Authorized Products and Services within the Trade Area. Each Vehicle must meet our then-current Policies, including, among other things, specifications relating to the required quantity, make, model, year, color, and body wrap or other advertising. You must, promptly following the purchase or lease of a Vehicle and prior to using a Vehicle for the Franchised Business, make such modifications and additions to the Vehicle as we require, including applying and installing all decals, logos, wraps and racks as we specify.

4.2 **Maintaining Vehicles.** You must maintain the condition and appearance of all Vehicles in first class condition and repair and in a level of cosmetic appearance that is consistent with the image of Businesses as clean, efficient and well-operated. If at any time in our reasonable judgment, the state of repair, appearance (including logos, decals and/or signs) or cleanliness your Vehicles fail to meet the Policies, you must immediately upon receiving notice from us correct such deficiency, modify, repair, refurbish, and/ or replace the Vehicles as applicable.

4.3 **Training Facility.** You are not required to operate the Business at a formal training facility (a “**Training Facility**”). If you intend to operate from such a facility, you must obtain our advance consent and approval of any site which you propose to use as your Training Facility. Any Training Facility must be located within the Trade Area and you may not establish, construct, maintain or operate a physical office, or any type of sales or training facility outside of the Trade Area. The location of the Training Facility must meet the Policies. You must always maintain, at your sole expense, the interior and exterior of the Training Facility in first class condition and repair, and in compliance with all applicable laws, rules, regulations and the Manual. Prior to purchasing or obtaining a lease for any real property, you must submit to us such information regarding the proposed site(s) and neighboring areas as we require, in the form(s) we prescribe. We may accept or reject a proposed site in our sole discretion.

4.3.1 You may not relocate the Training Facility without our prior written consent. If we consent to any relocation, you must de-identify the former Training Facility in the manner described in this Agreement with respect to your obligations upon termination and expiration, and

must reimburse and indemnify us from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out your failure to do so.

4.3.2 If the Training Facility is leased or subleased: (i) the Lease for the Training Facility must name you as the sole lessee and may not be assigned or sublet without our prior written consent; and (ii) we will have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to us prior to your signing it. The covenants contained in this Section 4.3.2 survive the termination of this Agreement. Our review and acceptance of the Lease is solely for our benefit and is solely an indication the Lease meets our Policies at the time of acceptance for the Lease (which may be different than the requirements of this Agreement).

4.4 **Commencement of Business and Continuous Operation**. Before you start operating the Franchised Business, you must provide photographs, video images, and other information we request by us to confirm that the Vehicle(s) and, if applicable, the Training Facility, conform(s) to the Policies. We may, before you commence operating the Franchised Business, inspect the Vehicle(s) and, if applicable, the Training Facility, to ensure that they conform to the Policies. You may not start operating the Franchised Business until you have received our written permission, which may be conditional and subject to our receipt of further information and/or inspection. Unless we otherwise agree in writing, you must begin operating the Franchised Business within 60 days after you complete the Initial Training Program. You must operate the Franchised Business not less than 4 days and 40 hours per week.

## ARTICLE 5 PAYMENTS

5.1 **Initial Fee**. Upon execution of this Agreement, you must pay us the Initial Fee. The Initial Fee is fully earned by us when we sign this Agreement, and is not refundable in whole or in part. The amount of the Initial Fee is indicated on Addendum "A."

5.2 **Continuing Royalty**. Beginning with the month in which you complete the Initial Training Program, you must pay us a monthly royalty fee (the "**Continuing Royalty**") in an amount equal to the amount indicated on Addendum "A." The minimum Continuing Royalty is subject to adjustment in accordance with Section 5.8.

5.3 **Timing of Payment**. No later than on the 5<sup>th</sup> day of each month, you must calculate and pay us the Continuing Royalty. You must timely pay us all other amounts you owe us and our Affiliates in accordance with the terms, conditions and Policies in effect from time to time. Your Continuing Royalty payment is late if we do not receive it by the 5<sup>th</sup> day of a month.

5.4 **EFT**. You must instruct your bank to make all payments due under this Agreement directly to us from your account, by electronic funds transfer or such other automatic payment mechanism which we may designate ("**EFT**"). You must execute or re-execute and deliver to us the current form of our EFT authorization form, attached hereto as **Addendum "B"**, as well as all pre-authorized check forms and other instruments or drafts required by our bank to enable us to draw all sums payable under the terms of this Agreement. You must also maintain a single bank account for such payments and maintain the minimum balance we reasonably specify. You may not alter or close the account without our prior written approval.

5.5 **Convention Attendance; Fees**. We may require you, and such of your personnel as we designate, to attend certain meetings. We may charge you a reasonable attendance fee per person for each mandatory meeting. You will bear all Travel Expenses and other costs of attendance.

5.6 **Non-Compliance Assessment.** Upon the occurrence of an event of default by you, we have the right, upon written notice to you, to impose a separate default fee equal to one hundred dollars (\$100) per breach, per week (“**Default Fee**”). The Default Fee is in addition to any other rights and/or remedies that we may have including, without limitation, our right to terminate this Agreement.

5.7 **Failure to Attend Re-Certification Training.** If it has been three (3) or more years since you completed the Initial Training Program or your last re-certification training and you fail for any reason to attend a scheduled re-certification training, we will charge you a fee of two thousand five hundred dollars (\$2,500). If you miss more than one consecutive re-certification training, we will have the right to terminate this Agreement.

5.8 **Inflation Adjustments.** No more frequently than annually, we may adjust the dollar amounts stated in this Agreement in proportion to the change in the Consumer Price Index, U.S. Average, all items, maintained by the U.S. Department of Labor (or any replacement index we select) as compared to the previous year or the last year in which an adjustment was made.

5.9 **Other Payments.**

5.9.1 You must pay to us, our Affiliates and designees, as applicable, promptly when due:

(a) Amounts we incur to perform and update periodic background checks on you and your trainers;

(b) All amounts advanced by us or which we have paid, or for which we have become obligated to pay on behalf your for any reason whatsoever;

(c) The amount of all sales, use, personal property and similar taxes, which may be imposed upon you, but required to be collected or paid by us on account of fees that we collect from you (but excluding our ordinary income taxes). We may collect the taxes in the same way we collect Continuing Royalties and promptly pay the tax collections to the appropriate Governmental Authorities; provided, however, that unless we so elect, it is your responsibility to pay all sales, use, income, or other taxes imposed now or in the future by any Governmental Authorities on fees paid by you to us; and

(d) All amounts due for any reason, including on account of purchases of goods, supplies or services relating to the Franchised Business.

5.9.2 You must remain current and fully comply and perform each of your obligations to your landlord, vendors and Suppliers.

5.10 **Application of Funds.** If you become delinquent in the payment of any obligation to us or our Affiliate under this Agreement or any other agreement, we will have the absolute right to apply any payments received from you to any obligation you owe us or our Affiliate, notwithstanding any contrary designation by you.

5.11 **Interest and Charges for Late Payments.** If you fail to pay to us all sums owed to us or our Affiliates promptly when due, you must pay interest on the unpaid amounts from the date due, at 10% per annum, or the highest rate allowable under Applicable Law, whichever is less. If any check, draft or electronic transfer is unpaid because of insufficient funds or otherwise, you must pay our expenses arising from such non-payment, including bank fees in the amount of at least \$50.00.



## ARTICLE 6 TRAINING

### 6.1 Initial Training Program.

6.1.1 You must employ at least one Authorized Trainer. The initial Authorized Trainer must successfully complete, to our satisfaction, an initial training program in our System, dog training techniques, methods of operation, Policies, our philosophy and culture, marketing, and any other topics as we determine necessary or appropriate (but not including instruction regarding matters which would ordinarily be known by a licensed contractor) (the “**Initial Training Program**”). We may modify the content and manner of conducting the Initial Training Program in our discretion from time to time. At no extra charge, we may provide the Initial Training Program at a Sit Means Sit® franchisee-owned location we specify, to one individual selected by you (the “**Initial Attendee**”). The Initial Training Program will consist of approximately 150 hours over roughly a 21-day period. You must not begin operating under the Marks or System until your Initial Attendee has completed the Initial Training Program to our satisfaction. All Initial Training Program attendees must execute a confidentiality agreement on a form of agreement we prescribe. Currently, we offer the Initial Training Program twice a year only: once during the spring months, and once during the fall months.

6.1.2 If we determine that your Initial Attendee’s progress during the Initial Training Program is unsatisfactory, we may terminate this Agreement without refunding any money to you. You acknowledge that we have total discretion over whether or not a person has satisfactorily completed the Initial Training Program.

6.1.3 Upon your reasonable request and upon payment of the applicable Initial Training Fee and, we will permit additional employees to attend the Initial Training Program.

6.1.4 You must pay all Travel Expenses incurred by the Initial Attendee for any person that attends the Initial Training Program, or any other training program we offer, on your behalf.

6.1.5 We will not pay for services performed by trainee(s) in connection with training or other assistance, including providing services for us, our Affiliate or another franchisee.

6.1.6 We may in our discretion elect not to provide you the Initial Training Program if: (i) as of the Effective Date, you or your Authorized Trainer have previously attended and successfully completed the Initial Training Program in connection with the operation of another Business, or (ii) this Agreement is executed as a Successor Franchise Agreement.

6.1.7 Our acceptance of an Authorized Trainer is not an endorsement of such individual or a guarantee by us that such individual will perform adequately, and we will have the right to subsequently disapprove or challenge that individual’s qualifications or performance.

6.2 **Staff.** You must cause all your employees who will conduct dog training to be trained in accordance with the Brand Standards Manual and to our satisfaction. You must ensure that the Franchised Business is supervised by the Authorized Trainer. We reserve the right to require all persons that conduct dog training to attend and successfully complete the Initial Training Program. Before you start operating the Franchised Business, and always during the Term, you must employ the number of trained employees and dog trainers as is necessary, in our judgment, to adequately operate the Franchised Business. In the event you send any employee to the Initial Training Program or any other training

program we conduct, you must ensure that each such employee signs an acknowledgement or other document, on a form we require, that the employee is your employee exclusively, and that we are not an employer of your employee for any purpose.

### 6.3 **On-going Advice and Assistance.**

6.3.1 You may, at no additional charge, ask us for technical support, sales support, and general advice and assistance relating to the operation of the Franchised Business. We will use our best efforts to respond diligently to such inquiries in order to assist you. This does not mean, however, that we will ever have the obligation to pay you money or to defer your payment obligations to us. We may make available additional optional services (such as accounting support) for which we may charge a separate fee.

6.3.2 If we provide any advice, consultation or training to you in your Trade Area at your request or because we determine that you are not operating the Franchised Business in accordance with the Policies or this Agreement, we may require you to pay us such charges as may be then in effect. We may also require you to reimburse us for all Travel Expenses and similar costs we and our personnel incur in connection with such advice, consultation or training.

6.4 **Additional Training.** We may, from time to time, at our discretion, (i) require you and your employees, or any of them, to attend additional training courses or programs (“**Additional Training**”) during the Term, or (ii) make available to you or your employees, or any of them, optional Additional Training during the Term. The Additional Training may be held on a national or regional basis at locations we select to instruct you regarding new procedures or programs that we deem, in our reasonable judgment, to be of material importance. We will choose the time and place of the Additional Training courses. We will not charge a fee for any Additional Training courses that we require you to attend, but we may establish charges for optional Additional Training courses that we make available to you. In addition to any charge we may establish, you must pay all Travel Expenses you and your personnel incur in connection with attending such Additional Training courses. We will pay no compensation for any services performed by trainee(s) in connection with the Additional Training. If you choose to send a person or people to our apprentice program, you must pay us a fee of \$1,000 per person you send to that program. You must ensure that you and your Authorized Trainer(s) have and maintain all current certifications that we require; currently, this means that you must attend and pass our re-certification program no less often than once every three (3) years during the Term.

6.5 **Periodic Meetings.** We may from time to time schedule a system-wide or regional meeting at a time and location we choose. If we schedule such convention or meeting, you and your personnel we designate must attend such convention or meeting, unless we otherwise excuse you upon a showing of good cause, but we will not require your attendance more than once per calendar year. You must pay all Travel Expenses you and your personnel incur in connection with attending such convention or meeting, and must pay us our then-current fee for conducting the meeting or convention, as published in the Brand Standards Manual. You and your personnel must pay for and stay at the host hotel facility for the convention or meeting.

## **ARTICLE 7 STANDARDS OF OPERATOR QUALITY AND SERVICE**

7.1 **Compliance with Applicable Law.** You represent, warrant and covenant to us that you have and will maintain all bonds, licenses, permits and government approvals necessary to operate and conduct the Franchised Business. You must operate the Franchised Business as a clean, orderly, lawful and respectable place of business in accordance with the Policies and comply with Applicable Law. You

must ensure that all Vehicles are operated by licensed and insured drivers, and you must not cause or allow any Vehicle or Training Facility to be used for any immoral or illegal purpose. You must in all dealings with your customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action (or failing to take any action) that may cause you or us to be in violation of any Applicable Law or this Agreement. You must refrain from engaging in action (or failing to take any action), which in our sole opinion causes or could cause damage, harm or injury to the Marks, the System and/or the brand or their reputation. You must always protect the health and safety of the animals in your care and take all necessary precautions to ensure that animals that are in your care are not harmed or put at risk of harm.

7.2 **Responsible Person.** You must designate an individual you employ (which maybe you if you are an individual) who will be principally responsible for communicating and coordinating with us regarding matters concerning this Agreement and the Franchised Business. Such person will have the full authority to act on your behalf in regard to performing or administering this Agreement and will be vested with the authority and responsibility for the day-to-day operations of the Franchised Business. The designated individual must: (a) devote his or her full time and best efforts solely to the operation of the Franchised Business and to no other business activities; (b) meet our educational, experience, financial and other reasonable criteria for such position, as set forth in the Brand Standards Manual or otherwise in writing by us; and (c) be fully trained in accordance with Article 6. Our acceptance of such person does not constitute our endorsement of him or her.

7.3 **Product Line and Service.**

7.3.1 You must advertise, sell and provide all and only Authorized Products and Services at, from, or in connection with the Franchised Business. You acknowledge that Authorized Products and Services may differ at other Businesses, and may vary depending on the geographic location of the Trade Area or other factors. You must not provide, produce, advertise for sale, sell or give away any goods or services unless the product has been approved by us in the Brand Standards Manual as part of the Authorized Products and Services and has not been thereafter disapproved in writing by us. All Authorized Products and Services must be provided and sold under the specific name we designate. You may not cease offering any of the Authorized Products or Services, except as you may be notified or instructed by us in writing. You must, upon receipt of notice from us, sell and provide additional Authorized Products and Services according to the instructions and within the time specified in the notice. You must cease selling and providing any previously approved or discontinued Authorized Product or Service within 30 days after receiving notice from us that the product is no longer approved.

7.3.2 All products, services, and materials you sell or provide you must be of the highest quality, and conform strictly with Applicable Law, the Brand Standards Manual, and with our further requirements as they are communicated to you from time to time.

7.3.3 You will give your best efforts to aggressively market and sell Authorized Products and Services in the Trade Area.

7.3.4 You agree to cooperate with us and our other franchisees by actively participating in all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs (including, without limitation, product give-away promotions) which we may develop or implement. Participation may include loyalty programs, prize promotions, and other marketing campaigns and programs.

7.4 **Sale at Retail; Containers Fixtures and Other Goods.** You agree that all packaging and like articles you use in connection with the Franchised Business will conform to the Policies, must be imprinted (if required by us) with the Marks and must be purchased by you from us, or a distributor or manufacturer approved in writing by us, as provided in Article 10. No item of merchandise, products, signs, supplies, or equipment may be used in connection with the Franchised Business or the sale or provision of Authorized Products and Services unless you have first obtained our written approval.

7.5 **Computer System.**

7.5.1 You must purchase, use and maintain a personal computer system as specified in the Brand Standards Manual or otherwise by us in writing for use in connection with the Franchised Business (the “**Computer System**”). You must maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium we specify) at all times and be capable of accessing the Internet via a designated third-party network. You must obtain all software and hardware, including digital still and video cameras, as we may specify to enable you to send and receive e-mail, digital photos, and streaming video, and you must upon our request transmit digital photos and video and audio signals of completed customer projects in the form and manner we prescribe. You must purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as we require. You must always ensure that we and our representatives have full and complete access to the Computer System and the files via any means we specify, including electronic access. You must ensure that only adequately trained employees conduct transactions using only the Computer System.

7.5.2 You must, at our request, license or sublicense from us or our designee certain computer software we designate (“**Proprietary Software**”) and you must enter into a software license agreement on our or such designee’s then-current form. From time to time, you must purchase any upgrades, enhancements or replacements to the Proprietary Software. You must incorporate any required modifications or additions to the Proprietary Software within 30 days after receiving written notice from us, unless a longer period is stated in the notice.

7.5.3 You agree to always maintain credit card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, electronic-fund-transfer systems, or other non-cash systems that we may periodically designate as mandatory (together, “**Credit Card Vendors**”). The term “Credit Card Vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors. You agree not to use any Credit Card Vendor for which we have not given our prior written approval, or as to which we have revoked earlier approval. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. You must acquire, at your expense, all necessary hardware and/or software used in connection with these non-cash systems.

7.5.4 You agree to comply with then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must demonstrate compliance upon reasonable request, which may include having an independent third-party Qualified Security Assessor (QSA) conduct a PCI/DSS audit. In the event you are unable to demonstrate full compliance, we may require that you engage the services of an approved vendor

to assist you on an ongoing basis. You must comply with any other compliance program or security standards implemented by the banking industry, credit card companies or other similar regulations as we direct, and you must bear all expenses associated with such programs.

7.6 **Brand Standards Manual.** You must operate the Franchised Business in strict compliance with the Brand Standards Manual and the Policies, as we amend them from time to time.

7.6.1 We have the right to modify the Brand Standards Manual at any time by addition, deletion or other modification. The Brand Standards Manual may include such matters and Policies as we may reasonably elect. In the event of the occurrence of a Crisis Management Event, we may also establish emergency procedures pursuant to which we may require you to, among other things, temporarily cease operating the Franchised Business, in which event we will not be liable to you for any losses or costs, including consequential damages or lost profits. While the Brand Standards Manual is designed to protect our reputation and the goodwill of the Marks, it is not designed to control the day-to-day operation of your Franchised Business.

7.6.2 We have the right to develop, operate and change the System in any manner, and we will have the right to add to, amend, replace, or modify the Brand Standards Manual at any time, but no such additions, replacements, or modifications will alter your fundamental status under this Agreement. Amendments, replacements and modifications are effective upon delivery of notice to you. You agree that we reserve the right and privilege, in our discretion, to vary the Brand Standards Manual and Policies for any franchisee based on the peculiarities of any condition or factors that we consider important to that franchisee's successful operation. You agree to implement any System modifications as if they were part of the System at the time you signed this Agreement.

7.6.3 The Brand Standards Manual and Policies are highly confidential documents which contain certain trade secrets belonging to us. You must not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the Brand Standards Manual. After the expiration or termination of this Agreement, you must return the Brand Standards Manual to us and permanently delete any electronic copies or portions of it.

7.7 **Notification of Legal Proceedings and Crisis Management Events.** You must notify us in writing promptly, but in no event more than 5 days, after you receive actual notice of: (a) any incident that may adversely affect the operation or the reputation of the Franchised Business, other "Sit Means Sit" Businesses, the goodwill associated with the Marks, or the financial condition of you or your Affiliates; any guarantor your obligations under this Agreement, or the Franchised Business; (b) any legal action (including any arrest, commencement of a suit or proceeding, or threat thereof) against you or any of your Owners, the Authorized Trainer or other trainer(s); (c) the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other Governmental Authority, including any citation, fine or closing order, or (d) any other adverse inquiry, notice, demand or sanction received by you relating to the Franchised Business; including any alleged violation of any Applicable Law. You must provide us with copies of all communications and information relating to any such matter.

7.7.1 Upon the occurrence of a Crisis Management Event, you must immediately (in no event more than 24 hours following) inform our President by telephone. You must cooperate fully with us with respect to our response to the Crisis Management Event. You authorize and agree to cooperate with us and our representatives and agents, and cause each of your Owners, Affiliates, the Authorized Trainer and other trainers to grant their authorization and cooperation, to conduct periodic background investigations, including criminal background checks, automobile insurance, and department of motor vehicle checks, financial and credit reports, inspections of your Training Facility or Vehicles, and other

investigations as we deem necessary or appropriate in connection with the operation of the Franchised Business. You must ensure that any animal in your care receives prompt medical attention if and when necessary, and that you communicate with your customer regarding the customer's preferred veterinarian. You must promptly upon request reimburse us for our direct and indirect costs of conducting any and all investigations in response to a Crisis Management Event, as well as for any costs we incur for responding to a Crisis Management Event.

7.8 **Signs, Designs and Forms of Publicity.** You must maintain, as applicable, suitable signs, logos, vehicle wraps, decals and/or emblems at or on each Vehicle used in connection with the Franchised Business, all of which must conform in all respects to the Policies and the layout and design plan we approve, subject only to restrictions imposed by Applicable Law. You must identify the Franchised Business as an independently-owned and operated franchise of Sit Means Sit Franchise, Inc. in the form and manner we specify, including on all invoices, letterhead, order forms, receipts, checks, business cards, on other notices provided by you and in other media and Advertisements we direct.

7.9 **Uniforms and Employee Appearance.** You must wear and must cause each of your employees while working to wear, uniforms of such color, design, and other specifications as we designate in the Brand Standards Manual. You and your employees must present a neat and clean public image and be free from foul odors. You must comply and cause your employees to comply with Policies.

7.10 **Co-Branding.** You may not offer, sell or provide Authorized Products and Services in connection with any trademark, service mark, logo or commercial symbol other than the Marks.

7.11 **Intranet.** We may establish an Intranet (or Extranet) through which we and our franchisees may communicate with each other, and through which we may disseminate the Brand Standards Manual, updates thereto and other confidential information. We will have sole discretion and control over all aspects of the Intranet, including its content and functionality. If we establish such an Intranet (or Extranet), we will have no obligation to maintain the Intranet indefinitely and may dismantle it at any time without liability to you. All information, statements, or postings made on the Intranet site are our sole and exclusive property. You have the mere privilege, and not the right, to use the Intranet.

7.12 **National Accounts.** You acknowledge that to competitively attract and effectively service National Accounts, we may establish Policies governing the way National Accounts are solicited and serviced, including reserving to us or our Affiliates, or even other franchisees, the exclusive or non-exclusive right to solicit National Accounts or types and/or categories of National Accounts, and requiring you to obtain our prior consent before soliciting National Accounts. You must comply with all National Account Policies. You acknowledge that we make no promise that any amount of National Account business will be provided within the Trade Area. You expressly acknowledge that we may offer to subcontract you to furnish Authorized Products and Services on our behalf to National Accounts in our sole discretion and subject to the applicable customer's approval and terms and conditions, and your execution of a subcontract in the form we prescribe. If we offer you such a subcontract, you will not be obligated to accept it. However, if you decline, or if you accept but we are advised by the National Account or we believe in good faith that the National Account is dissatisfied with your work, or it is otherwise necessary in our judgment to preserve the National Account or our reputation, we may perform such services or may subcontract such services to an independent subcontractor.

7.13 **Improvements.** If you, your employees, any of your Owners, or any Restricted Person develops any new concept, process or improvement in the operation or promotion of a dog training business (an "**Improvement**"), you agree to promptly notify us and provide us with all necessary related information, without compensation. Any such Improvement will become our sole property and we will be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners

hereby assign to us any rights you or your Owners may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries. You agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as agent and attorney-in-fact for you and for them to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the provisions of this Section 7.13 are found to be invalid or otherwise unenforceable, you and your Owners hereby grant us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Owners' rights in it.

7.14 **Customer Relations.** You must give prompt, courteous and efficient service to the public and operate the Franchised Business in compliance with the Brand Standards Manual to preserve and enhance the value and goodwill of the Marks and the System. You will uphold and take reasonable steps to ensure that your Authorized Trainer and employees uphold, high standards of honesty, integrity, and fair dealing in dealing with the public, customers of the Franchised Business, other franchisees and us. You must promptly return, within one (1) business day, all calls from potential or actual customers and from us. You must keep all appointments made with customers. If you are unable to keep an appointment due to an emergency or other circumstances beyond your reasonable control, you must call the customer at least three (3) hours before the set appointment time to reschedule. You must respond promptly to all complaints received from your clients or other individuals to resolve the dispute in a reasonable and businesslike manner; if we reasonably direct you to take specific action in responding to a customer complaint, you must do so promptly, even if such action requires you to refund or pay money.

## **ARTICLE 8 ADVERTISING**

### **8.1 General Requirements.**

8.1.1 You must only use and display Advertisements provided or approved by us and use and display them in accordance with the Policies. You must obtain our prior written approval to use and/or display Advertisements (including as to the choice of medium) not provided by us. The materials will be deemed disapproved if we have not approved them within 15 days of receiving your submission. All Advertisements that you create or originate must be factual, ethical and in good taste in our judgment. You must refrain from using any Advertisement which, in our opinion, may be injurious to the System, the goodwill associated with the Marks, or other Businesses. We may change our policies relating to Advertisements on any medium at any time, and you must comply with those changes.

8.1.2 Your Advertisements can appear only in media targeted to reach consumers within Trade Area. We may require, among other things, that you submit to us an accurate sample and all relevant details concerning the media in which you propose to place the Advertisement. If approved, we may, but are not obligated to, require that all such Advertisements conspicuously include the addresses of other Businesses located in the geographic area together with any language we prescribe.

8.1.3 All Advertisements and other advertising materials or concepts created by you and approved by us are our sole and exclusive property. We may require you to cease using any

advertising materials which we have previously approved, and you must cease using such materials upon written notice.

8.2 **Local Advertising.** During each calendar quarter, you must spend at least 1% of your Gross Sales for the preceding calendar quarter on local advertising and promotion for the Franchised Business, which may include SEO as stated in Section 9.4. At our request, you must give us copies of invoices showing your local advertising expenditures. Money used by you for market-wide or other research, seminars, entertainment, fees paid to consultants not approved by us, incentive programs, charitable contributions, press parties, or specialty items (unless part of a market-wide program approved by us and the cost of the same is not recovered by promotion) will not be credited toward the local advertising expenditures required by this Section.

8.3 **Telephone Numbers and Directory Advertising**

8.3.1 You must, at your sole expense, subscribe for and maintain throughout the Term, one or more phone numbers in accordance with our Policies.

8.3.2 We may operate one or more T-1 links, telephone numbers (which may be toll free), or telephone systems, designed to be used in connection with the operation of Businesses; including, to refer potential clients to our franchisees, including you (“**Call Center**”). We reserve the right to modify, cease or outsource the operation of the Call Center. Upon our request, all advertising you conduct must include a toll-free telephone number we designate. You must reimburse us for all telephone and related charges we incur to operate the Call Center and/or to receive and forward to you telephone calls that relate to the Franchised Business. We may also impose a reasonable additional charge, which you must promptly pay, and establish other terms and conditions of use. Such charges will be in an amount designed to reimburse us for our direct and indirect costs of establishing and operating the Call Center. You may insert the toll free number (if one is established) in your directory listings, business cards, and stationery, but may not otherwise advertise the telephone number without our prior written consent.

8.4 **Promotional Campaigns.** From time to time during the Term, we will have the right to establish and conduct promotional campaigns that may (by way of illustration) promote products or marketing themes. You agree to participate in such promotional campaigns upon the terms and conditions we establish. You acknowledge and agree that such participation may require you to purchase point of sale advertising material, posters, flyers, product displays and other promotional material.

**ARTICLE 9**  
**INTERNET AND INTERNET SALES**

9.1 **Internet.**

9.1.1 You may not develop, create, own, or use any Internet medium (including social media sites) which in any way uses or displays the Marks, or any confusingly similar terms without our prior written consent. You may only use or display the Marks in accordance with the Policies. If we permit you to use or display the Marks on any Internet medium, they must be hosted only on a domain or subdomain approved by us, and all content must be true and accurate.

9.1.2 Without limiting the generality of Section 9.1.1, you are strictly prohibited from creating, maintaining, or operating any independent website that relates to the Marks or the System. This prohibition does not apply if you are an existing franchisee of ours who is signing this Agreement as either: (i) a successor or renewal franchise agreement; or (ii) a new and additional



franchise you are purchasing from us. In that instance, your use of a website must be in strict compliance with all our guidelines and requirements, as we may change them from time to time. You further agree and acknowledge that we may review, monitor, and require changes to all on-line content on your websites, social media sites, blogs, electronic communication and other on-line sites on which our Marks or intellectual property are used. You must provide us with full, administrator-level rights to access and administer all social media accounts and websites that relate to the Franchised Business.

9.1.3 We have established one or more Internet websites. We have absolute discretion over the design, content and functionality of such websites. We may include one or more interior pages that identifies the Franchised Business. We may permit you to customize or post certain information to the interior page, subject to the Policies. You must pay all costs associated with any changes, modifications or updates to the interior page. We may disable or terminate such site(s) without liability to you. Our website(s) may include one or more interior pages dedicated to selling franchises.

9.1.4 You acknowledge and agree that we (or our Affiliate) are the owner of, and will retain all ownership, right, title and interest in and to: (i) the domain name “sitmeanssit.com”; (ii) the URL: “www.sitmeanssit.com”; and all existing and future domain names, URLs, future addresses, websites, landing pages, social media identities and sub addresses using the Marks in any manner; (iii) all social media names or identifiers using all or any portion of the Marks; (iv) all computer programs and computer code used for or on our website(s); (v) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through our website(s); and (vi) all intellectual property rights in or to them.

9.2 **Internet Sales.** You acknowledge that we have the exclusive and unrestricted right to manufacture, produce, license, distribute and market products (including Branded Products and products not bearing the Marks), including dog care products, dog training products, dog toys, food and treats, books, videos, instructional materials, leashes, collars, apparel, and other goods by means of the Internet.

9.3 **Internet Referral Sources.** To competitively attract customers, we may enter into agreements with Internet Referral Sources. You must not enter into any arrangement or agreement with an Internet Referral Source without our prior written consent.

9.4 **Search Engine Optimization.** You must use our designated third-party Supplier (and no other source) for all search engine optimization (“SEO”)-related services and activities. You must comply with all guidelines and recommendations provided by us or the designated Supplier to ensure consistency and effectiveness in SEO strategies Systemwide. You must coordinate with us or the designated Supplier and provide any necessary information or access required to perform SEO services. You must also submit regular reports on SEO activities and performance metrics as requested by us or the Supplier. You are responsible for all costs associated with the SEO services provided by the Supplier, upon such terms and conditions as stated in a separate agreement between you and the Supplier.

## **ARTICLE 10 DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS**

10.1 **Inventory.** You must purchase and maintain in inventory such types and quantities of Designated Products and Ancillary Products as needed to meet anticipated consumer demand.

10.2 **Designated Products.** We may, in our sole subjective discretion exercised in good faith, require that you purchase, use, offer, promote and/or maintain in stock products, including dog collars, dog care products, dog training products, dog toys, food and treats, leashes, collars, bite suits, apparel, and other goods, training and other equipment, uniforms, supplies, packaging, business cards, forms, computer hardware, software, modems and peripheral equipment and other items, which are produced or manufactured in accordance with our proprietary specifications and/or formulas, and which we select as designated products, and specified “Sit Means Sit” Brand Products (“**Designated Products**”). We will require you to purchase training collars and certain other training items directly from us, our Affiliates, and designees. We have the right to require you to purchase all other Designated Products and “Sit Means Sit” Brand Products only from us, our Affiliates, or designees. We will not be obligated to reveal Trade Secrets, specifications, designs and/or formulas of Designated Products to you, non-designated suppliers, or any other third parties.

10.3 **Ancillary Products.** We may designate certain products, accessories, raw materials, equipment, uniforms, supplies, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies and equipment other than Designated Products which you may or must use and/or offer and sell from the Franchised Business (“**Ancillary Products**”). You may, but are not obligated to, purchase such Ancillary Products from us or our Affiliates. You may use, offer or sell only such Ancillary Products that we have expressly authorized.

10.3.1 You may purchase authorized Ancillary Products, and, in some instances (as we determine), Designated Products, from (i) us or our Affiliates, (ii) suppliers we designate, or (iii) suppliers selected by you and with our prior written consent (each a “**Supplier**” and collectively, the “**Suppliers**”). Each Supplier seeking to be approved must comply with our usual and customary requirements, including those related to insurance, indemnification, and non-disclosure, and shall demonstrate to our reasonable satisfaction: (a) its ability to supply an Ancillary Product meeting the Policies, which may include, specifications as to brand name and model, contents, quality, and compliance with Applicable Law; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability meet such other requirements as we determine to be in the best interest of the System.

10.3.2 For Suppliers of Designated Products you select, you must first deliver us written notice seeking approval, which notice must: (i) identify the name and address of the Supplier, (ii) contain such information as may be requested or required by us (which may include financial, operational and economic information regarding its business and product(s)), and (iii) identify the authorized Ancillary Products you want to purchase through the Supplier. We may request that the proposed Supplier furnish us at no cost to us, product samples, specifications and such other information as we may require. We or our representatives will also be permitted to inspect the facilities of the proposed Supplier and establish terms with them. We may require a Supplier to agree in writing: (i) to faithfully comply with our specifications for applicable Ancillary Products sold by it, (ii) to sell any Ancillary Product bearing the Marks only to our franchisees and only under a trademark license agreement in form we prescribe, (iii) to provide to us duplicate purchase invoices for our records and inspection purposes and (iv) to otherwise comply with our reasonable requests.

10.3.3 We will notify you of our decision within 60 days after receiving your request for approval and other requested information. We are not required to approve any Supplier, and you acknowledge that it is generally disadvantageous to the franchise system from a cost and service basis to have more than one Supplier in any given market area and that, among the other factors, we may consider distribution costs and the quality and uniformity of products offered

regionally or system-wide. We may revoke our approval upon the Supplier's failure to continue to meet any of our criteria.

10.3.4 You or the proposed Supplier must reimburse us for all of our reasonable costs in reviewing the Supplier's application and reasonable costs and expenses, including Travel Expenses, related to inspecting, re-inspecting and auditing the Suppliers' facilities, equipment, and food products, and all product testing costs paid by us to third parties.

#### 10.4 **Purchases from us or our Affiliates.**

10.4.1 You must purchase all goods, services, products, and supplies, including Designated Products and Ancillary Products ("**Goods and Services**") from us or our Affiliates in accordance with our (or our Affiliate's) purchase order format and policies. Purchases will be on our or our Affiliate's then-current price, delivery and other terms and conditions which we or our Affiliate may change on at least 15 days prior written notice, provided that prices will be the same as those charged to similarly-situated franchisees (excluding shipping, transportation, warehousing, insurance and related costs and expenses). You further acknowledge that prices we or our Affiliate charge you may include profit for us or our Affiliate. We or our Affiliate may discontinue the sale of any Goods and Services at any time if in our judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. If any goods or products sold by us or our Affiliate are short supply, we or our Affiliate may allocate the available supply in any way we deem appropriate, which may result in you not receiving any allocation of certain goods or products. All of your product orders will be subject to our, or our Affiliate's, acceptance. You must submit to us or our Affiliate, upon written request, financial statements which contain sufficient information to enable us to determine the credit limits, if any, to be extended to you. We or our Affiliate may establish the credit terms, if any, and may require you to pay for orders on a cash-in-advance or cash-on-delivery basis.

10.4.2 We (and our Affiliates) reserve the right to establish, amend, modify and terminate in our and our Affiliates' sole and absolute discretion, as applicable, the terms and conditions of product and service warranties to be provided to customers, concerning the products purchased from us or our Affiliates and the related services to be provided by you, including warranty terms and conditions, including the circumstances under which you, we, or our Affiliates must offer customers replacement, re-training or a purchase price refund with respect to such products and services. You must perform promptly all of the terms and conditions of all such warranties. You have sole responsibility for all such warranties. You must comply with all Policies on warranty programs and keeping records with respect to claims. You acknowledge and agree that all warranty and other services are performed by you as an independent contractor and not as our agent. You have no authority to make, and must not make, any warranty or representation to others on our behalf.

10.4.3 We or our Affiliate are not liable to you on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond our reasonable control including events like labor or material shortages, products shortages, conditions of supply and demand, import/export restrictions, or disruptions in supply sources.

10.4.4 We (or our Affiliate) may collect rebates, allowances and credits in the form of cash or services or otherwise from Suppliers based on your purchases or sales. We have the right to use such sums as we decide in our sole discretion, notwithstanding any designation by a Supplier.

10.4.5 We or our Affiliate may act as a Supplier of goods, services, products, and/or supplies purchased by you, and we or our Affiliates may be designated as the sole Supplier of any such Goods or Services. On the expiration or termination of this Agreement, or in the event you default under this Agreement, we or our Affiliates are not obligated to fill or ship any orders.

10.5 **Customer Information; Comment Cards.** At our request, you must use reasonable efforts to secure the names, addresses and other information from and about your customers (the “**Customer Information**”), which Customer Information will be our sole property, provided that you will have full access to all Customer Information during the Term and any Successor Term. You may not divulge the Customer Information to any third party except with the customer’s prior consent. You must respond promptly to each customer inquiry or complaint and make a good faith effort to resolve all reasonable complaints to the customer’s satisfaction. You must use customer comment cards in the manner specified in the Brand Standards Manual. We may contact any client of the Franchised Business at any time for any purpose. Also, if we are contacted by a client or other patron of the Franchised Business who wishes to lodge a complaint, we have the right to address the person’s complaints to preserve goodwill and prevent damage to the Marks, including but not limited to exercising the rights stated in Section 2.5.

## **ARTICLE 11 REPORTS, BOOKS AND RECORDS, INSPECTIONS**

11.1 **General Reporting.** You must, in the form and manner we specify (which may include reporting via the Computer System), submit to us financial, operational and statistical information as we may require, including those to: (i) assist you in the operation of the Franchised Business in accordance with the System; (ii) allow us to monitor your Gross Sales, purchases, costs and expenses; (iii) enable us to develop chain-wide statistics which may improve bulk purchasing; (iv) assist us in the development of new Authorized Products and Services; (v) enable us to refine or delete existing Authorized Products and Services; and (vi) generally improve chain-wide understanding of the System (collectively, the “**Information**”). Without limiting the generality of the foregoing:

11.1.1 On or before the 5<sup>th</sup> day following each month, or at such other interval we establish, you must submit to us a Gross Sales report on our required form reporting all Gross Sales for the preceding month, together with such additional financial information we request.

11.1.2 On or before the 30th day following each calendar month during the Term, you must submit to us financial statements for the preceding month, including a balance sheet, cash flow statement and profit and loss statement prepared in the form and manner we prescribe. You must also provide us with quarterly sales data in the format and manner we prescribe.

11.1.3 Within 60 days following the end of each calendar year, you must submit to us an unaudited annual financial statement, including a balance sheet, cash flow statement and income statement. You acknowledge and agree that we may use this information in any way we see fit, including in our franchise sales and disclosure documents.

11.1.4 We require you to maintain an accounting and record keeping system, in accordance with U.S. generally accepted accounting principles and sound business practices (or, at Licensor’s request international financial reporting standards), and to maintain adequate accurate, verifiable books and supporting documentation relating to such accounting information.

11.2 **Under-Reporting.** You must prepare and keep for at least 7 years after the end of each fiscal year (or such longer period required under Applicable Law) adequate books and records showing

daily receipts, advertising and other business expenditures, applicable sales tax returns, all pertinent other records, and such other sales records as we require. If we ask for it, you must provide all information we request promptly (not later than 5 days after our request). If any audit we conduct shows that you under-reported fees Gross Sales to us, then upon demand (and in addition to any other remedies we are entitled to under this Agreement or Applicable Law) you must pay the under-paid amount plus interest at the highest compound rate permitted by Applicable Law (not to exceed the rate of 18% percent per annum).

11.3 **Employment Practices.** You acknowledge and agree that you are solely responsible for the operation of the Franchised Business, including keeping your accounting system; for all labor relations, including wage and hour regulation compliance, hiring, firing, supervising and disciplining your employees; for setting work schedules; for compensation of such employees and the correct processing thereof; and for obtaining all necessary business licenses and employment insurance. You acknowledge that we may, from time-to-time, make certain recommendations as to employment policies and procedures, which may include (among other things) a sexual harassment policy. You have sole discretion in whether to adopt any such policies and procedures and their specific terms. Training with respect to all such policies and procedures will be your sole responsibility.

11.4 **Inspections.**

11.4.1 Our authorized representatives have the right, from time to time, to enter all Vehicles (and to require Vehicles to be made available for inspection at a single location), your Training Facility (if you have one), or the location(s) where you provide Authorized Products and Services, with or without notice, without unreasonably disrupting your business operations, for the purposes of performing evaluations, conferring with your employees, trainers, inspecting and checking inventory and equipment, and determining whether the Franchised Business is being conducted in accordance with this Agreement, the System and the Brand Standards Manual. If any such inspection discloses any material failure by you to comply with the Policies, you must promptly reimburse us for our costs and expenses (including, without limitation, Travel Expenses) incurred in connection with all such inspections (and any re-inspections) of the Franchised Business. You acknowledge that inspections are not limited as to frequency and may occur as frequently as we deem appropriate in our sole discretion, and in the case of secret shoppers may include numerous visits over several weeks or other period we determine.

11.4.2 At our request and in accordance with our instructions, you must promptly provide us with digital photos and/or video of the goods and services provided by you to a customer, which may include photos or video of animals in your care.

11.4.3 If any inspection indicates any deficiency or unsatisfactory condition and we notify you in writing of such deficiency or unsatisfactory condition, you will have 72 hours after receiving notice (or such other time we determine in our sole discretion) to correct or repair such deficiency or unsatisfactory condition. If the deficiency or unsatisfactory condition cannot be corrected within 72 hours, we will provide you with more time as we deem necessary if you immediately begin to cure and diligently pursue a cure to completion. However, if in our sole discretion we determine that the nature of such condition poses an imminent danger to public health, public safety, or the health or safety of any animal in your care, you must correct or repair it within 24 hours.

## ARTICLE 12 MARKS

12.1 **Use of Marks.** Subject to Section 12.6, you must operate the Franchised Business under the name “Sit Means Sit”, without prefix or suffix. You must use and display our trade dress, Marks and such signs, advertising and slogans only as we may prescribe or approve. You will: (i) maintain the highest standard of quality in the provision, operation, promotion, marketing and advertising of all Approved Products and Services; (ii) provide high quality services to the public similar, and at least equal to, the type, quality, and distinguishing characteristics of the services being offered by us and our Affiliates and franchisees; and (iii) display the Marks in accordance with the Policies. Upon expiration or sooner termination of this Agreement, we may execute in your name and on your behalf, any and all documents necessary or appropriate to end and cause the discontinuance your use of the trade dress and Marks, and you irrevocably appoint and designate us as your attorney-in-fact to do so. You must not use any of the Marks on any product, offering of securities, or request for credit without our prior written approval. We may withhold or condition any approval related to the Marks.

12.2 **Non-Use of Trade Name.** If you are a Business Entity, you must not use the Marks, our trade name, or any confusingly similar words or symbols as all or part your name.

12.3 **Non-ownership of Marks.** You may not assert any right, title or interest in our trade-dress, or to any of the Marks or the goodwill attributable to the Marks. All goodwill accrued by, and due to, your use of the Marks anywhere is our sole and exclusive property.

12.4 **Defense of Marks.** You must promptly notify us if you receive notice or are informed of any claim, suit or demand against you of any alleged infringement, unfair competition, or similar matter on account of your use of the Marks. We will act we deem necessary and appropriate to protect and defend you against any such claim by any third party, but we are not obligated to take any such action. You must not settle or compromise any such claim by a third party without our prior written consent. We and our Affiliates have the sole right to defend, compromise or settle any such claim in our discretion, and at our cost and expense, using attorneys of our choice, and you must cooperate fully with us and our Affiliates in connection with the defense of any such claim. You may participate at your own expense in such defense or settlement, but our decisions regarding defense and settlement will be final.

12.5 **Prosecution of Infringers.** If you receive notice or learn that any unauthorized third party is using our trade dress or Marks, or something similar, you must promptly notify us. We will then determine whether we will take any action against such third person. You have no right to make any demand against any alleged infringer or to prosecute any claim of any kind or nature whatsoever against any alleged infringer for or on account of such infringement.

12.6 **Modification of Marks.** From time to time, we may add to, delete or modify any or all of the Marks and trade dress. You must use, or cease using the Marks and/or trade dress at your expense, including any modified or additional trade names, trademarks, service marks, logotypes, commercial symbols and trade dress, in accordance with the Brand Standards Manual and Policies. Except as we may otherwise direct, you must implement any change within 60 days after receiving notice.

12.7 **Acts in Derogation of the Marks.** You agree that our trade dress and the Marks are the exclusive property of we and/or our Affiliates. You will never assert any claim to goodwill, reputation or ownership of them. You are familiar with the standards and high quality of the use of the trade dress and Marks in the operation of Businesses, and you agree that you will always maintain this standard in your use of the Marks and trade dress. All use of the Marks and trade dress by you will inure solely to our benefit. You must not contest or assist anyone in contesting at any time, in any manner, the validity

of any Mark or its registration, and you must maintain the integrity of the Marks. You must do or permit any act or thing to be done in derogation of any of the rights we or our Affiliates have in the Marks. You must use the Marks and our trade dress only in the manner permitted in this Agreement. Without limiting the foregoing, you must not: (i) interfere in any manner with, or attempt to prohibit, the use of our trade dress and/or the Marks by any other franchisee of ours; or (ii) divert or attempt to divert any business or any customers of the Franchised Business to any other person or Business Entity, 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 Marks.

12.8 **Assumed Name Registration.** If you are required to do so by Applicable Law, you must promptly upon execution of this Agreement file with applicable Governmental Authority, a notice of your intent to conduct your business under the name authorized by us under this Agreement. Promptly upon the expiration or termination of this Agreement for any reason, you must take all actions necessary to revoke or terminate such assumed name registration, or any other registrations or filings. If you fail to do so, you irrevocably appoint us as your attorney-in-fact to revoke or terminate them.

### **ARTICLE 13 COVENANTS REGARDING OTHER BUSINESS INTERESTS**

13.1 **Non-Competition.** You acknowledge that the System is distinctive and has been developed by us and/or our Affiliates at great effort, time, and expense, and that you have regular and continuing access to valuable and confidential information, training, and Trade Secrets regarding the System. You recognize your obligations to keep confidential such information as set forth in this Agreement. You therefore agree as follows:

13.1.1 During the Term, no Restricted Person will in any capacity, either directly or indirectly, through one or more affiliated Business Entities engage in any Competitive Activities at any location, whether within or outside the Trade Area.

13.1.2 To the extent permitted by Applicable Law, upon: (i) the expiration or termination of this Agreement; (ii) the occurrence of any Assignment; or (iii) the cession of any Restricted Person's relationship with you, each person who is a Restricted Person before such event will not for a period of two years thereafter:

(a) either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any business engaged in any Competitive Activities at any location within: (i) the Trade Area; (ii) any other geographic areas wherein you have operated the Franchised Business (e.g., an Unassigned Area); or (iii) the designated trade area of other "Sit Means Sit" franchisees;

(b) solicit business of any kind or nature from an individual or Business Entity that was a customer of yours during the 24-month period immediately preceding such event; or

(c) use the Customer Information for any purpose.

#### 13.2 **Trade Secrets.**

13.2.1 Restricted Persons, and any trainer working for you ("**Trainers**"), may have access to proprietary and confidential information, including the Trade Secrets, Policies, specifications, procedures, concepts and methods and techniques of developing and operating a Business and producing and providing Authorized Products and Services. We may disclose certain of its Trade Secrets to Restricted Persons or Trainers in the Brand Standards Manual, bulletins, supplements, confidential correspondence, or other communications, and through our training

programs and other guidance and management assistance. "Trade Secrets" will not include information which: (a) has entered the public domain or was known to you prior to our disclosing such information to you, other than by the breach of an obligation of confidentiality owed (by anyone) to us or our Affiliates; (b) becomes known to the Restricted Persons from a source other than us or our Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to us or our Affiliates; or (c) was independently developed by you using or benefitting any of our Trade Secrets. The burden of proving that information you received from us does not constitute a Trade Secret will be yours alone.

13.2.2 No Restricted Person or Trainer will acquire any interest in the Trade Secrets or Customer Information other than the right to use them in developing and operating the Franchised Business during the Term. A Restricted Person's or Trainer's duplication or use of the Trade Secrets or Customer Information in any other endeavor or business will constitute unfair competition. Each Restricted Person and Trainer will: (i) not use the Trade Secrets or Customer Information in any business or other endeavor other than in connection with the Franchised Business; (ii) maintain absolute confidentiality of the Trade Secrets and Customer Information during and after the Term; and (iii) make no unauthorized copy of any portion of the Trade Secrets or Customer Information, including the Brand Standards Manual, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. You will operate the Franchised Business and implement all reasonable procedures we prescribe to prevent unauthorized use and disclosure of the Trade Secrets. If you have any reason to believe that any Restricted Person or Trainer has violated the provisions of any confidentiality agreement, you must promptly notify us and will cooperate with us to protect us against infringement or other unlawful use as we deem necessary.

13.2.3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth in this Agreement, the parties agree that each party will have the right to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of Nevada and the U.S. federal courts sitting in Las Vegas, Nevada for these purposes. The parties agree that venue for those proceeding will be the state and federal courts located in Las Vegas, Nevada. You agree that we may obtain temporary or preliminary injunctive relief without bond, but upon due notice, and that your sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing. You expressly waive all claims for damages by reason of the wrongful issuance of any injunction.

13.2.4 You must obtain covenants like those in Sections 13.1 and 13.2 from Restricted Persons and such other personnel we specify. You must obtain covenants like those in Section 13.2 from Trainers and such other personnel we specify. We do not require (but you may in your own discretion require) your Trainers to sign a non-competition agreement with you. We may regulate the form of agreements you use, and we may require that you name us an express third-party beneficiary with the right to enforce such agreements. Our current required form of Confidentiality and Non-Competition Agreement, for use with Restricted Persons, is attached to the Franchise Disclosure Document as Exhibit D. Our current required form of Confidentiality Agreement, for use with Trainers, is attached to the Franchise Disclosure Document as Exhibit E. Promptly upon our request, you must deliver to us executed copies of such agreements.



13.3 **Effect of Applicable Law; Tolling.** The parties agree that each covenant in this Article 13 must be construed to be independent of any other covenant or provision of this Agreement. In the event any portion of the covenants in this Article violates laws affecting you or is held invalid or unenforceable in a final judgment to which we and you are parties, then the maximum legally allowable restriction permitted by law will control and bind you. We may at any time unilaterally reduce the scope of any part of the above covenants, and you must comply with any such reduced covenant upon receipt of written notice. The provisions of this Article shall be in addition to and not in lieu of any other confidentiality obligation your, or any other person, whether pursuant to another agreement or pursuant to Applicable Law. Any period specified in this Article 13 will be tolled and suspended for any period during which any party is in violation of any restrictive covenant.

13.4 **Business Practices.** You represent, warrant and covenant to us that, as of the Effective Date, you and each of your Owners (if you are an Business Entity) will be and will remain in full compliance with all Applicable Laws in each jurisdiction in which you or any of your Owners, conducts business that prohibit unfair, fraudulent or corrupt business practices in the performance of your obligations under this Agreement and related activities. You certify that neither you, nor your Owners, principals, employees or anyone associated with you are listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, your Owners, principals, employees, or anyone associated with you being listed in the Annex to Executive Order 13224. You agree to comply with and/or fully assist us in our efforts to comply with Anti-Terrorism Laws. You certify, represent, and warrant that none your property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that you and your Owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all Anti-Terrorism Laws.

13.5 **Survival.** This Article 13 will not limit, restrain or otherwise affect any right or cause of action which we may have for any infringement of, violation of, or interference with, this Agreement, or the Marks, System, Trade Secrets, our trade dress, or any other proprietary aspects of our business.

## **ARTICLE 14 ASSIGNMENT**

14.1 **Assignment by us.** You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as our owners, directors, officers, and employees come and go. You represent that you have not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. If we do so, we will no longer have any performance or other obligations under this Agreement. Nothing in this Agreement requires Sit Means Sit Franchise, Inc. to remain in the dog training business or to offer the same products and services, whether bearing the Marks, if we exercise our right to assign this Agreement.

### 14.2 **Assignment by you.**

14.2.1 The rights and duties created by this Agreement are personal to you. We have entered into this Agreement in reliance upon and in consideration of your individual or your Owners’ collective character, reputation, skill attitude, business ability, and financial capacity. Neither you nor any Owner (other than us, if applicable) will, without our prior written consent, cause or permit any Assignment. If we grant our consent, we may impose any condition upon our consent, including some or all of the following (any of which may be waived by us):

(a) that you provide a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as we may reasonably request.

(b) that your right to receive payments in connection with the Assignment is subordinated to our rights to receive any outstanding monetary obligations or other outstanding obligations due from you or your assignee under any agreement with us or any Affiliate, whether arising before or after the Assignment;

(c) that you provide us a list of all Owners having an interest in this Agreement or in you, the percentage interest of Owner, and a list of all officers and directors, in any form we require;

(d) that you comply with Section 14.3 and we have not exercised the ROFR;

(e) that you are not in default under the terms of this Agreement (or any other related agreement), all agreements with our Affiliates, the Brand Standards Manual or any other obligations you owe us;

(f) that all obligations to third parties in connection with the Franchised Business (including but not limited to prepaid services) have been satisfied or assumed by the assignee;

(g) that you and your Owners (if you are an Business Entity) execute a general release in a form we prescribe (the current form of which is attached as “Exhibit B” to the Franchise Disclosure Document), of any and all known and unknown claims against us and our Affiliates and our and their owners, officers, directors, agents, and employees;

(h) that your assignee has demonstrated to our satisfaction that it, he or she meets all of our then-current Policies for new Business operators or for holders of an interest in a franchise, including possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the operation of the Business, and the ability to fully comply with the terms of this Agreement;

(i) that the assignee has agreed, under a written assumption agreement approved by us, that at closing, the assignee will, at our option, either (a) assume this Agreement; provided however, that such assumption will not relieve you (as transferor/assignor) of any continuing obligations; or (b) execute a replacement franchise or license agreement on then-current standard form of franchise agreement used by us, provided, however, that the term of the replacement franchise agreement will be, at our option, the remaining term of this Agreement;

(j) that you or your assignee agrees to refurbish or replace, as applicable, all Vehicles and the Training Facility used in the Franchised Business as needed (in our discretion) to match our then-current design, trade dress, color scheme and Policies;

(k) that there is not any suit, action, or proceeding pending, or any suit, action, or proceeding threatened, against you with respect to the Franchised Business;

(l) that upon submitting your request for our consent to any proposed Assignment, you pay us a non-refundable fee equal to the greater of: (i) the amount of our actual out-of-pocket expenses associated with evaluating and documenting the proposed Assignment; (ii) \$5,000; or (iii) 10% of the total consideration received by you and your Owners.

(m) that you (or your assignee) pay our then-current training fees and, if applicable, Travel Expenses, if we determine that your assignee and/or any one or more of its employees must successfully complete the Initial Training Program;

(n) that you and your Owners agree with your assignee not to compete with your assignee after the Assignment in accordance with restrictions acceptable to us and substantially similar to those provided in this Agreement to the maximum extent permitted by Applicable Law, and we will be named as a third party beneficiary of such agreement; and

(o) that your assignee, or its anticipated Authorized Trainer(s), have satisfactorily completed our Initial Training Program.

14.2.2 Any purported Assignment (occurring by operation of law or otherwise) without our prior written consent will constitute your material default of this Agreement, and will be null and void. Except when you advertise to sell the Franchised Business and assign this Agreement in accordance with the terms of this Agreement, you must not, without our prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the supplies, fixtures, or equipment. You may not make any Assignment to a public Business Entity, or to any Business Entity whose direct or indirect parent's securities are publicly traded.

14.2.3 If you are a Business Entity, you must promptly provide us with written notice of each and every issuance of Equity by you and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in you, regardless of whether it constitutes an "Assignment."

14.2.4 Our consent to an Assignment will not: (a) constitute a waiver of any claims we have against you arising out of this Agreement or otherwise, including: (i) any payment or other duty owed by you to us before such Assignment; or (ii) your duty of indemnification and defense, whether before or after such Assignment, or (iii) the obligation to obtain our consent to any subsequent transfer; or (b) be an indication as to the likelihood of success or economic viability of the assignee.

14.3 **Right of First Refusal.** If you or any Owner (other than us, if applicable) want to cause or permit any Assignment, then you and/or such Owner must notify us in writing. You must provide us the information and documentation we require. You grant us a right of first refusal (the "**ROFR**") for 60 days following our receiving your written notice of the proposed Assignment and copies of all required documentation (the "**ROFR Period**") to purchase the interest which you or such Owner proposes to transfer, on the same terms and conditions offered by the third party; provided that we may substitute cash for any non-cash consideration in an amount we determine in good faith as the approximate equivalent value of the non-cash consideration. Notwithstanding the terms and conditions offered by the third party, you must make representations and warranties to us that are customary for transactions of the type proposed, including: (1) your power, authority and legal capacity to sell, transfer and assign the property or interests, (2) valid right, title and interest in the property or interests, (3) the absence of all liens, encumbrances and liabilities on the property or interests, and (4) the absence of any violation, in any material respect, or default under, or acceleration of any material agreement or instrument pursuant to which the property or interests to be transferred are encumbered or bound as the result of the sale. If we elect to exercise the ROFR, we or our nominee will notify you in writing, and the closing of the transaction will occur within 60 days after delivery of our notice, subject to the satisfaction of all conditions to closing. If we do not exercise the ROFR, any material change in the terms of an offer prior to closing, or the failure to close the transaction within 60 days after the ROFR

Period, will cause it to be deemed a new offer, subject to the same ROFR as in the case of the initial offer. Our choice not to exercise the ROFR is not consent to the Assignment or a waiver of any other provision of this Agreement.

14.4 **Business Entity.** If you are a Business Entity, the following provisions will apply:

14.4.1 You represent, warrant and covenant that: (a) you have the authority to execute, deliver and perform its obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation; and (b) the information set forth in **Addendum “A”**, is accurate and complete in all material respects. If you wish to make any change to the ownership of your Business Entity, you must first obtain our consent in the manner stated in Section 14.2.

14.4.2 All of your organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) must provide that the issuance and transfer of any interest in you are restricted by the terms of this Agreement, and that sole purpose for which you are formed (and your sole activity) is the development and operation of the Franchised Business. Upon our request, you must submit a resolution of your (or your governing body) confirming that you are following this provision. All certificates and other documents representing Equity in you must bear a legend in a form we prescribe referring to this Agreement’s restrictions.

14.4.3 All your present and future Owners must execute a written guaranty in a form we prescribe (currently, **Exhibit C** to our franchise disclosure document), personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance your obligations to us and to our Affiliates. Upon each transfer or assignment of an interest in you, or other change in ownership interests in you, and at any other time upon our request, said holders must re-execute a written guaranty in a form we prescribe.

14.5 **Non-Waiver of Claims.** Our consent to an Assignment will not constitute a waiver of any claims we may have against the Assigning party and cannot be deemed a waiver of our right to demand strict compliance with any of the terms of this Agreement or any other agreement.

## ARTICLE 15 DEFAULT AND TERMINATION

15.1 **General.** We will have the right to terminate this Agreement only for “Cause.” “Cause” is defined as a default of this Agreement. We may exercise our right to terminate this Agreement upon notice to you upon the circumstances outlined in this Article 15.

15.2 **Automatic Termination Without Notice.** Subject only to Applicable Laws of the jurisdiction in which Trade Area is located, you will be deemed to be in material breach under this Agreement, and all rights granted herein will automatically terminate without notice to you if: (i) you are adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), admit to an inability to meet your financial obligations as they become due, or make a disposition for the benefit of your creditors; (ii) you allow a judgment against you in the amount of more than \$5,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) the Franchised Business or your assets are seized, taken over or foreclosed by a Governmental Authority, or seized, taken over, or foreclosed by a creditor or lienholder, provided that a final judgment against you remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); (iv) a levy of execution or attachment is made upon

this Agreement or upon any property used in connection with the Franchised Business, and is not discharged within 5 days of such levy or attachment; (v) you allow or permit any judgment to be entered against us or our Affiliates, arising out of or relating to the operation of the Franchised Business; or (vi) you are convicted of any felony, or any criminal misconduct relevant to the operation of the Franchised Business.

15.3 **Option to Terminate Immediately With Notice.** You are in default under this Agreement, and we may at our option terminate this Agreement and all of your rights without affording you any opportunity to cure the default upon the occurrence of any of the events listed in this Section 15.3. Such termination will be effective immediately upon your receiving notice from us.

15.3.1 **Abandonment.** You abandon the Franchised Business. For purposes of this Agreement, “abandon” means your failure to: (i) operate the Franchised Business for a period of 5 consecutive days, except as provided in the Brand Standards Manual, (ii) keep the Franchised Business operating for any period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the franchise, (iii) actively and continuously maintain and answer your telephone; or (iv) open the Franchised Business and begin operating it before the deadline stated in Section 4.4.

15.3.2 **Assignment, Death or Incapacity.** You purport to make any Assignment without our prior written consent; provided, however, that if the Franchised Business continues to be operated in conformity with this Agreement: (i) upon prompt written request and upon the death or legal incapacity of you (if you are an individual,) we will allow up to 6 months after such death or legal incapacity for your heirs, personal representatives, or conservators (the “**Heirs**”) to either: (i) to assume this Agreement or, at our discretion, execute our then-current form of franchise agreement (except that no initial fee or transfer fee will be charged), if we are subjectively satisfied that the Heirs meet our Policies and qualifications; or (ii) if not so satisfied, to allow the Heirs to sell the Franchised Business to a person approved by us; or (iii) upon prompt written request and upon the death or legal incapacity of an Owner owning 25% or more of your Equity, voting power, or Partnership Rights, we will allow a period of up to 6 months after such death or legal incapacity for the Heirs to seek and obtain our consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable to us. If, within that 6-month period, the Heirs fail either to enter into a new franchise agreement or to sell the Franchised Business to a person approved by us, or fail to receive our consent to the Assignment to another person acceptable by us, this Agreement will automatically terminate;

15.3.3 **Repeated Defaults.** If you receive from us more than 2 written notices of default stating a material breach within any 12-month period, or more than 3 such notices within any 24-months;

15.3.4 **Misrepresentation.** If you make any material misrepresentation relating to your acquisition of the Franchised Business;

15.3.5 **Violation of Law.** If you fail, for 10 days after having received notification of noncompliance from us or any Governmental Authority, to comply with any Applicable Law;

15.3.6 **Health or Safety Violations.** Your conduct of the Franchised Business is so contrary to this Agreement, the System and the Brand Standards Manual as to constitute an imminent danger to the health, safety or welfare of your customers or the dogs you train, or you sell recalled or other unauthorized products after notice of default and continue to sell such products whether or not you have cured the default after one or more notices;

15.3.7 Injury or Danger to Animals in Your Care. You injure, cause injury to, or operate your Franchised Business in a way that is (in our sole opinion) reasonably likely to result in injury to any animal that is in your care. This provision will not apply if an injury is the result of an accident not caused by your neglect, recklessness, or lack of care on your part and you have promptly communicated with us and your customer about the accident;

15.3.8 Crisis Management Event. You fail to: (a) communicate with us about a Crisis Management Event within the time required by Section 7.7.1; or (b) take such remedial action in response to a Crisis Management Event as we reasonably direct;

15.3.9 Unfair Competition. Any violation by you of Section 13.1; your intentional disclosure or use in violation of this Agreement of the contents of the Brand Standards Manual, Trade Secrets or confidential or proprietary information provided to you by us, excluding independent acts of employees or others if you have exercised your best efforts to prevent such disclosures or use;

15.3.10 Certain Conduct. If you, the Authorized Trainer, or any other trainer is convicted of or pleads guilty or nolo contendere to: a) a felony; b) a crime involving harm done to humans or animals; c) any crime or offense relating to the operation of a motor vehicle that could result in a sentence of incarceration for more than one (1) year; or d) an offense that is reasonably related to the business and is likely to adversely affect our reputation, the System, the Marks, the goodwill associated therewith, or our interest therein;

15.3.11 Care of Animals. If we have permitted you to offer boarding services, you receive: (a) any citation from any Governmental Authority relating to the cleanliness, sanitation, or safety of the boarding area or services you provide; or (b) two or more complaints within any month regarding the safety, welfare, or care of any of the animals being boarded.

15.3.12 Intellectual Property Misuse; Harm to the Marks or System. If you materially misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated with them or our rights in them, or take any action which reflects materially and unfavorably upon the operation and reputation of the Franchised Business, or the "Sit Means Sit" franchise generally, or your unauthorized use, disclosure, or duplication of the Trade Secrets or Customer Information, excluding independent acts of employees if you exercised your best efforts to prevent such disclosures or use.

15.3.13 Failure to Attend Consecutive Re-Certification Training. You fail to obtain re-certification within three (3) years of your completing the Initial Training Program and you: (a) fail to pay the \$2,500 amount stated in Section 5.7; or (b) have missed more than one (1) consecutive re-certification training program.

15.4 **Termination With Notice and Opportunity To Cure.** Except for any breach or default by you under Sections 15.2 or 15.3, or as otherwise expressly provided in this Agreement, following written notice from us, you will have 10 days (5 days in the case of any default in the timely payment of sums due to us or our Affiliates), within which to completely remedy any default and provide us evidence of such remedy. If any such default is not cured within that time (or such longer period as required by Applicable Law or as we may specify in the notice), then at our option this Agreement and all your rights will terminate without further notice or opportunity to cure. You will be in default under this Article for any failure to comply with any of the requirements imposed by this Agreement. Such defaults include, but are not limited to, the occurrence of any one or more of the following events:

15.4.1 You fail, refuse or neglect to promptly pay any amounts owed to us under any promissory note;

15.4.2 You fail, refuse or neglect to promptly pay when due any monies owed to us, our subsidiaries or Affiliates, or to submit the financial or other information we require;

15.4.3 You fail to maintain the Policies we specify in the Manual or otherwise;

15.4.4 You fail, refuse or neglect to obtain our prior written approval or consent as required by this Agreement;

15.4.5 You commence or conduct any business operation, or market any product or services, under a name or mark which, in our reasonable opinion, is confusingly similar to our Marks;

15.4.6 You fail to cooperate with us in connection with inspections of the Franchised Business or its operations;

15.4.7 You fail to procure or maintain the insurance required by this Agreement or in the Brand Standards Manual;

15.4.8 You do not comply with the customer relations requirements stated in Section 7.14, or the requirements stated in the Brand Standards Manual.

15.5 **Reimbursement of our Costs**. In the event of your default, you must reimburse us for all of our costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of our administrative employees within 5 days after your cure.

15.6 **Cross-Default**. Any default by you under the terms and conditions of this Agreement or any other agreement between us (or our Affiliate) and you (or any Affiliate of yours), will also be a default of each and every such agreement. Further, in the event we terminate this Agreement or any other such agreement for cause, we may, at our option, terminate any or all said agreements.

15.7 **Notice Required By Law**. In the event Applicable Law limits our rights of termination or requires longer notice periods than those set forth above, this Agreement will be considered amended to conform to the minimum notice periods or restrictions upon termination required by such law. We will not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or its termination.

15.8 **Our Default**. You may terminate this Agreement due to our material default of our obligations under this Agreement, which default is not cured by us within 60 days after our receipt of written notice by you detailing the alleged default with reasonable specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, we will not be in default if we commence a cure for such default within 60 days and diligently continue to prosecute the cure to completion. If you terminate this Agreement pursuant to this Section, you must comply with all of the terms and conditions of Article 16. No court, arbitrator or referee will have the power or authority to modify, change, amend, or waive this Section.

**ARTICLE 16**  
**RIGHTS AND OBLIGATIONS UPON TERMINATION**

16.1 **General.** Upon the expiration, termination, or your Assignment (as applicable) of this Agreement:

16.1.1 You must immediately cease to use all Trade Secrets, the Marks, the Customer Information, and any confusingly similar trademark, service mark, trade name, logotype or other commercial symbol or insignia, and cease using all photographs, images, videos, testimonials and Advertisements. You must immediately return the Brand Standards Manual, all training materials, video recordings, records, customer lists, files, advertising and promotional materials, and all other written materials incorporating or containing Trade Secrets. You must provide to us all copies of Customer Information in your possession, retaining no copies. You must, at your own cost, make cosmetic changes to the Vehicles and Training Facilities, if applicable, operated in connection with the Franchised Business so that they no longer contain or resemble our proprietary designs.

16.1.2 We may retain all fees you have paid us under this Agreement. You must immediately pay us all amounts owing to us and our Affiliates. You will also remain responsible for paying us the Liquidated Damages specified in Section 16.2.

16.1.3 All obligations we have to you under this Agreement will immediately cease and terminate. All rights you have under this Agreement will immediately cease and terminate, and you must immediately cease and refrain from representing yourself as then being, or formerly having been, our franchisee.

16.1.4 You must deliver all goods and materials in your possession that contain the Marks to us, and we will have the sole and exclusive right to use any such items. You are not entitled to any compensation from us if we exercise this option.

16.1.5 If you have collected advance payments for services, including through prepaid packages, you must, at our option: (a) refund all prepaid amounts for any unfulfilled services to the customers; (b) assign the customers to us or to another franchisee designated by us; or (c) reimburse us for all costs and expenses we incur for either fulfilling the prepaid service obligation or refunding amounts to the customer. Within five (5) days of termination or expiration of this Agreement, you must notify provide us with a detailed list of all customers with outstanding prepaid services, including the amounts prepaid and the services yet to be fulfilled. You must also cooperate with us in communicating with customers regarding the transition of their prepaid services. This provision must not be construed as granting permission to you for collecting advance payment or selling prepaid packages, which we may prohibit completely.

16.1.6 You must, at our option, cancel or assign to us or our designee all your right, title and interest in any telephone numbers (and associated listings); Internet websites or web pages; e-mail addresses; social media identities; domain name listings and registrations which contain the Marks; or any of them, in whole or in part. You must, upon termination or expiration of this Agreement, notify telephone listing agencies, Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies, of the termination your right to use any domain name, web page and other Internet device associated with us or the Franchised Business, and authorize and instruct their cancellation or transfer to us, as we direct. You are not entitled to any compensation from us if we exercise these rights or options. For the avoidance of doubt, nothing in this Section permits you to use any of the Marks in connection with the Internet, except with our prior written consent as provided in this Agreement. You must not use any testimonials,



images, video, or photographs on any web site or in any other advertising or promotional materials services performed for customers, or which contain, depict or display any Authorized Product or Service. In connection with your execution of this Agreement, you must execute our current form Collateral Assignment of Telephone Numbers and Telephone Listings, Internet Addresses, and Social Media Identities, attached to this Agreement as **Addendum “C.”** If we request, you must update the numbers, listings, addresses, and identities stated on **Addendum “C.”**

16.2 **Liquidated Damages.** The parties agree that, if we or you terminate this Agreement prior to the end of the Term for anything other than our uncured material default per Section 15.8, our damages will be difficult or impossible to ascertain. As a result, the parties agree in such event you must pay us, as liquidated damages and not as a penalty, the greater of: (a) the combined monthly average Continuing Royalty you paid during the previous twelve (12) months; or (b) the minimum Continuing Royalty specified in Section C of **Addendum A** (without any reduction for paying on the first day of the month), multiplied by the lesser of: (y) 36 (the number of months in three full years); or (z) if less than 36 months remain in the Term, the number of months remaining in the Term. You acknowledge and agree our damages and lost opportunities upon termination of the Agreement will be difficult to ascertain, and that the formula in this Section 16.2 is a reasonable estimate of those damages and lost opportunities and does not constitute a penalty or forfeiture.

## **ARTICLE 17 INSURANCE**

17.1 **Insurance.** You must obtain and maintain insurance with an insurance company approved by us (which we will not unreasonably withhold), in the minimum coverage types and levels, deductible maximums, and policy limits as we may reasonably specify from time to time in the Brand Standards Manual. All insurance policies must be endorsed to: (i) name us (and our members, officers, directors, and employees) and those of our Affiliates that we identify as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us and our named parties; and (iii) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy. If any your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. The insurance required by us may include workers’ compensation insurance as required by Applicable Law, errors and omissions, automobile, and comprehensive general liability insurance (with an endorsement specifically covering cyber liability risks). You must promptly pay all premiums on the policies as or before they become due. You must, prior to commencing operation of the Franchised Business, and from time to time thereafter upon our request, file with us certificates of such insurance.

17.2 **Use of Proceeds.** In the event of damage to the Franchised Business (or any part of it) covered by insurance, the proceeds of any such insurance will be used to for the benefit of the Franchised Business and to restore the assets used Franchised Business to its original condition as soon as possible, unless restoration is prohibited.

## **ARTICLE 18 RELATIONSHIP OF PARTIES**

18.1 **Your Relationship to Us.** We and you expressly agree that the intent of this Agreement is to establish the relationship of franchisor and franchisee. You have no authority to create or assume in our name or on our behalf any obligation, express or implied, or to act or purport to act as our agent or representative for any purpose whatsoever. Neither we nor you are the employer, employee, agent, partner or co-venturer of or with the other, each of us being independent. You will not hold yourself out as our agent, employee, partner or co-venturer. Neither party will have the power to bind or obligate the

other except as specifically stated in this Agreement. We and you agree that the relationship created by this Agreement is one of an independent contractor and not a fiduciary relationship. In all public records, in relationships with others, and on letterhead and business forms, you must indicate your Business is independently owned and that you are solely a franchisee of Sit Means Sit Franchise, Inc.

18.1.1 All your employees will be your employees and can never, under any circumstances or for any purpose, be deemed our employees or subject to our control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Each party will file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation payments with respect to its respective employees, each party saving and indemnifying the other party of and from any liability of any nature whatsoever by virtue thereof. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

18.1.2 We do not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees or independent contractors for qualification to perform certain functions for you does not directly or indirectly vest in us the power to hire, fire or control any such employee or independent contractor. You alone are solely responsible for all hiring and employment decisions and functions relating to the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, setting hours for, and discipline of employees, regardless of whether you have received advice from us on these subjects or not. You agree that any direction you receive from us regarding employment policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel well-versed in employment law.

18.1.3 You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements your Franchised Business and that under no circumstance will we be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of System which you are required to comply with under this Agreement, whether set forth in our Brand Standards Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations your Franchised Business, which you alone control, and that they constitute only standards you must adhere to when exercising your control over the day-to-day operations of the Franchised Business.

18.1.4 You agree to inform each of your employees that you alone are their employer, and that we are not. You agree to explain to its employees and contractors the respective roles of a franchisor and franchisee and our relationship with you, and you will request that your employees and contractors sign any acknowledgement or disclosure explaining the differences between us (your franchisor) and you (their employer or contractor).

18.2 **Indemnity by You.** You must protect, defend and indemnify us, and all of our past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold us and them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on

account of any actual or alleged loss, injury or damage to any person or Business Entity or to any property arising out of or in connection with: (i) any breach of this Agreement by you or any Restricted Person; (ii) your operation of the Franchised Business; (iii) your operation, marketing, advertising, promotion, offer for sale, sale or provision of any goods or services, including, Authorized Products and Services; (iv) your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that we are an employer or joint employer of your employees or independent contractors; (v) any and all alleged torts, negligent acts, breach of contract, fraud or omissions by you or your agents, representatives, or employees; (vi) your collecting advance payment for services, including prepaid packages; and (vi) your alleged failure to comply with Applicable Law.

## **ARTICLE 19 NOTICES**

19.1 **General.** All written notices and reports permitted or required to be delivered will be deemed delivered: (a) at the time delivered by hand or by reputable overnight courier; (b) one business day after transmission by electronic mail (with confirmation copy sent by regular U.S. mail); or (c) 3 business days after being placed in the United States Mail. All notices will be addressed as follows:

**If to us:** **6295 McLeod Drive #2  
Las Vegas, Nevada 89120**

**If to you:** **The Address Noted on Addendum "A"**

Any party may change its address by giving other parties 10 days prior written notice of such change.

## **ARTICLE 20 MEDIATION; WAIVER OF JURY TRIAL; VENUE**

20.1 **Mediation.** Except to the extent precluded by Applicable Law and Section 20.2, the parties agree that prior to initiating any proceeding as described below, they must first attempt to resolve any dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association. The mediation must be scheduled to last for at least one full day and each party must have present a representative with authority to make settlement decisions on its behalf. The mediation must be conducted in Las Vegas, Nevada, unless we are headquartered in another city or county, in which event the mediation must be conducted there. The mediation must be conducted and completed within 45 days following the date either party first gives notice of mediation. If the parties fail to complete the mediation within the 45-day period, either party may initiate litigation, subject to Section 20.3. The fees and expenses of the mediator must be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to any suit and any related matter. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose. However, evidence that is otherwise discoverable or admissible will not be excluded from discovery or admission because of its being used in the mediation.

20.2 **Claims Excluded.** We will not be required to first attempt to mediate a controversy, dispute or claim against you if such controversy, dispute or claim concerns an allegation by us that you have violated (or threaten to violate, or pose an imminent risk of violating): (a) our intellectual property rights in the Marks, the System, or in any of our Trade Secrets; (b) claims pertaining to your non-monetary post-termination obligations; or (c) the restrictive covenants in this Agreement. Nothing in this Agreement

bars us or you from seeking preliminary injunctive or declaratory relief against a breach or threatened breach of this Agreement pending mediation (if applicable)

20.3 **Claims Limitation Period.** Unless prohibited by Applicable Law, any legal action or proceeding (including mediation or arbitration) brought or instituted by you with respect to any dispute with us must be brought or instituted within a period of one (1) year from the date you discover the conduct or event that is the basis of the legal action or proceeding, except that the one (1) year period will be tolled only during the pendency of any mediation required by Section 20.1. Any such claim which is not submitted or filed as described above shall be forever barred.

20.4 **Waiver of Jury Trial; Venue.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES: (1) WAIVE THEIR RIGHT TO JURY TRIAL WITH RESPECT TO ALL CLAIMS AND ISSUES ARISING UNDER, IN CONNECTION WITH, TOUCHING UPON OR RELATING TO THIS AGREEMENT, WHETHER SOUNDING IN CONTRACT OR TORT, AND INCLUDING ANY CLAIM FOR FRAUDULENT INDUCEMENT, AND (2) AGREE THAT LAS VEGAS, NEVADA WILL BE THE EXCLUSIVE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT, UNLESS WE HAVE OUR HEADQUARTERS IN A DIFFERENT CITY, IN WHICH CASE THE SOLE AND EXCLUSIVE VENUE FOR LITIGATION WILL BE THAT OTHER CITY. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT. YOU AGREE THAT THE COURTS IN LAS VEGAS, NEVADA HAVE PERSONAL JURISDICTION OVER YOU, AND EACH OF YOUR OWNERS, AS A RESULT OF YOUR ENTERING INTO THIS AGREEMENT.

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**YOUR  
INITIALS**

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**OUR  
INITIALS**

20.5 **WAIVER OF CLASS OR GROUP ACTION.** ANY DISAGREEMENT BETWEEN YOU (AND YOUR OWNERS) AND US (AND OUR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION. YOU WAIVE ANY RIGHT TO PROCEED AGAINST US (AND OUR AFFILIATES, STOCKHOLDERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION OR ARBITRATION.

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**YOUR  
INITIALS**

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**OUR  
INITIALS**

20.6 **WAIVER OF PUNITIVE DAMAGES.** WE AND YOU WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST ONE ANOTHER ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE). THE PARTIES AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH PARTY WILL BE LIMITED TO THE RECOVERY OF ANY: (A) ACTUAL DAMAGES SUSTAINED BY IT; (B) TRADEMARK LAW TREBLE DAMAGES; AND (C) LIQUIDATED DAMAGES AS STATED IN SECTION 16.2. IF SUCH CLAIMS AND DEMANDS CANNOT BE WAIVED BY LAW, THEN THE PARTIES AGREE THAT ANY RECOVERY WILL NOT EXCEED TWO (2) TIMES ACTUAL DAMAGES.

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**YOUR  
INITIALS**

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**OUR  
INITIALS**

**ARTICLE 21  
MISCELLANEOUS PROVISIONS**

21.1 **Our Right To Cure Defaults.** In addition to all other remedies herein granted, if you default in the performance of any of your obligations or breach any term or condition of this Agreement or any related agreement, we may, at our election, immediately or at any time thereafter (and without waiving any claim for breach) and without notice to you, cure such default on your behalf. You must immediately reimburse us for our costs of such a cure.

21.2 **Waiver and Delay.** No waiver by us of any default or series of defaults in performance by you, and no failure, refusal or neglect of us to exercise any right, power or option given to us under this or any other agreement between us and you, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Franchised Business) or to insist upon strict compliance with or performance your obligations under this Agreement, any other franchise agreement between us and you, whether entered into before, after or contemporaneously with the Effective Date (and whether or not related to the Franchised Business), will constitute a waiver of the provisions of this Agreement or the Policies with respect to any subsequent default, or a waiver by us of our right at any time thereafter to require exact and strict compliance. We will consider written requests by you for our consent to a waiver of any obligation imposed by this Agreement. You agree, however, that we are not required to act uniformly with respect to waivers, requests and consents as we will consider each request on a case-by-case basis, and we will not be obligated to grant any such request. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in our discretion, at any time and for any reason, effective upon our giving you 10 days' prior written notice. We make no warranties or guarantees and assume no liability or obligation to you by providing any waiver, approval, acceptance, consent, assistance, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

21.3 **Survival of Obligations.** Termination or expiration will be without prejudice to any other rights or remedies that we or you have in law or in equity, including the right to recover benefit of the bargain damages. In no event will a termination or expiration of this Agreement affect your obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration) covenants and agreements will survive the termination or expiration of this Agreement.

21.4 **Successors and Assigns; Benefit.** This Agreement is binding upon, and will inure to the benefit of, your and our the successors and assigns, subject to the restrictions on Assignment contained in this Agreement. This Agreement is for the benefit of you, us, and our Affiliates only, and, except as expressly provided in this Agreement, is not intended to and will not confer any rights or benefits upon any person who is not a party to this Agreement.

21.5 **Joint and Several Liability.** If you are more than one person and/or Business Entity, such person(s) and/or Business Entities are jointly and severally liable for all "your" obligations and liabilities.

21.6 **Governing Law.** This Agreement is governed by and must be construed in accordance with the laws of the State of Nevada, without giving effect to any conflict of laws principles. By agreeing

to the application of Nevada law, the parties do not intend to make this Agreement or their relationship subject to any franchise, dealership, distributorship, business opportunity, or similar statute, rule, or regulation of the State of Nevada to which this Agreement or the parties' relationship would not otherwise be subject. We and you each acknowledge and agree that this choice of applicable state law provides each of the parties with the mutual benefit of uniform interpretation of this Agreement. This Agreement may be deemed to be amended from time to time as may be necessary to bring any of its provisions into conformity with valid applicable laws or regulations.

21.7 **Titles For Convenience.** Article and Section titles used in this Agreement are for convenience only and may not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

21.8 **Gender and Construction.** The terms of the Recitals, Appendixes and all Exhibits to this Agreement are incorporated into and made a part of this Agreement as if set forth in full. All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. When this Agreement refers to an Article, a Section or Exhibit, the reference is to an Article, Section of, or an Exhibit to, this Agreement unless otherwise indicated. Unless otherwise expressly provided in this Agreement to the contrary, any consent, acceptance, approval or authorization of ours which you are required to obtain may be given or withheld by us in our sole discretion. On any occasion where we are required or permitted to make any judgment, determination or use our discretion, including any decision as to whether any condition or circumstance meets the Policies, standards or satisfaction, we may do so in our sole subjective judgment and discretion. No provision in this Agreement expressly identifying any particular breach of this Agreement as material can be construed to imply that any other breach that is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity in this Agreement can be construed or resolved against the drafter, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and must be construed and interpreted according to the ordinary meaning of the words used. If any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision must be given the meaning that renders it enforceable.

21.9 **Severability.** Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement or the Brand Standards Manual and any Applicable Law, the latter will prevail, but in such event the provisions of this Agreement or the Brand Standards Manual thus affected must be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. If any part, article, section, sentence or clause of this Agreement or the Brand Standards Manual is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed deleted, and the remaining part of this Agreement or the Brand Standards Manual will continue in full force.

21.10 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together are one and the same instrument.

21.11 **Fees and Expenses.** If any party to this Agreement brings any action or proceeding for any relief against the other arising out of this Agreement, the losing party must pay to the prevailing party its reasonable attorney fees and costs incurred in bringing or defending such action or proceeding and/or enforcing any judgment, all of which will be deemed to have accrued upon the commencement of such action or proceeding and must be paid whether or not such action or proceeding is prosecuted to

final judgment. Any judgment or order entered in such action or proceeding must contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party will be determined by the referee or Court based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and cannot be merged into the judgment.

## ARTICLE 22 ACKNOWLEDGMENTS

22.1 **General.** You and your Owners jointly and severally acknowledge that you and they have carefully read this Agreement and all related documents, and that you and they intend to be bound by this Agreement. You and each of your Owners represents, warrants and acknowledge to us that:

22.1.1 All statements and representations you made to us in this Agreement or in connection with applying for a franchise are true and correct.

22.1.2 The covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on you, since you have other considerable skills, experience and education, giving you the opportunity to derive income elsewhere.

22.2 **Release for Prior Agreements.** If you or any of your Affiliates, Owners, managers, directors, officers, agents, servants, and employees, have before the date of this Agreement signed any other agreement with us or any of our Affiliates, you hereby release, acquit and forever discharge us and our respective parents, subsidiaries, Affiliates, and successors in interest, and each of their respective directors, officers, agents, servants, employees, whether specifically mentioned herein or not, of and from any and all liability, actions, causes of action, claims, debts, demands, damages and liabilities to person(s) or property, costs, expenses and compensation of every nature, kind and character whatsoever, whether known or unknown, foreseen or unforeseen, direct, indirect, contingent or actual, liquidated or unliquidated, whether statutory, contract, or in tort on account of or in any way connected with or related to our, or our Affiliate's, offer, sale, grant of, construction, subleasing, operation of, assistance with operation of, or development of franchises or franchise rights in any and all franchise locations awarded at any time to the undersigned and from the inception of any contact with us to the Effective Date. It is your express intention that this release be as broad as permitted by law, but this Release does not apply to claims that arise under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220.

22.3 **Due Execution.** THIS AGREEMENT IS NOT BINDING ON US UNLESS AND UNTIL IT HAS ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS.

22.4 **Entire Agreement.** This Agreement and the Brand Standards Manual contain all of the terms and conditions agreed upon by the parties with reference to the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, oral or otherwise, may be deemed to exist or to bind any of the parties. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement are merged and are expressly and superseded by this Agreement, except nothing in this Agreement or any related agreement is intended to disclaim any representations we made in the franchise disclosure document delivered to you. No officer or employee or agent of ours have any authority to make any representation or promise not contained in this Agreement or any related agreements, or in the franchise disclosure document delivered to you, and you agree that you have executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date we execute it (the “Effective Date”) below.

**Sit Means Sit Franchise, Inc.**

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

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

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

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

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

**Its:** \_\_\_\_\_

**Its:** \_\_\_\_\_

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

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



## APPENDIX 1 DEFINITIONS

“**Additional Training**” is defined in Section 6.4.

“**Advertisement**” means any written, visual or printed communication or communication by means of a recorded telephone message or spoken message on radio, television or similar communication media relating to the Franchised Business, other Businesses, or the System, whether it contains any Marks, including any and all related advertising and promotional materials and services. The term also includes directory advertising and listings; signs; billboards; press releases and other “public relations” efforts; participation in any national, regional or other advertising program, such as promotions sponsored or paid for by third party suppliers; appearances by you, public figures or by others; fliers; testimonials, coupons and promotional merchandise in the form of T-shirts, caps, buttons and similar items, and any and all other forms of marketing and promotion.

“**Affiliate**” when used in connection with us or you, includes each person or Business Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with us or you, as applicable. Without limiting the foregoing, the term “**Affiliate**” when used herein in connection with you includes any Business Entity 5% or more of whose Equity or voting control, is held by person(s) or Business Entities who, jointly or severally, hold 5% or more of the Equity or voting control of you. For purposes of this definition, control of a person or Business Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Business Entity whether by contract or otherwise. Notwithstanding the above definition, if we or our Affiliate has any ownership interest in you, the term “Affiliate” will not include or refer to us or that Affiliate, and no obligation or restriction will bind us or that Affiliate.

“**Agreement**” means this franchise agreement, together with all its exhibits and addenda.

“**Ancillary Products**” is defined in Section 10.3.

“**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“**Applicable Law**” means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including all contractors licensing laws, building codes, immigration and labor laws, as in effect on the Effective Date hereof, and as may be amended, supplemented or enacted from time to time.

“**Assignment**” means any sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance (“transfer”), voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, of any direct or indirect interest in this Agreement or in the Equity or voting rights of you if you are a Business Entity, and the withdrawal, death or legal incapacity of any of your Owners; the admission of any additional general partner or the transfer by any Owner general partner of any of its Partnership Rights in the Partnership; and any merger, stock redemption, consolidation, reorganization, recapitalization involving you, however effected.

**“Authorized Products and Services”** means the dog training services now we authorize, but expressly excludes (except with our prior written consent and on terms and conditions we establish) police, governmental and private security dog training services (such as drug enforcement, airport enforcement, and grounds security) in accordance with the Policies, as well as dog care products, dog training products, dog toys, food and treats, dog training services, leashes, collars, apparel, and all other products and services produced, organized or distributed, which we now or later approve or designate by Sit Means Sit. When used separately, “Products” means the products and “Services” means the services that, in each case, are included within the definition of Authorized Products and Services.

**“Brand Standards Manual”** means our operations manual(s), and all related manual(s) we have now or later create for use in the operation of the Franchised Business, as amended and revised from time to time (except that such amendments will not alter your fundamental status and rights under this Agreement), including all bulletins, supplements and ancillary manuals, and reference made to the Brand Standards Manual in this Agreement, or in any amendments, exhibits, appendixes or schedules to them.

**“Business”** means a business, under the Marks and in accordance with the System and specializing in the sale of Authorized Products and Services.

**“Business Entity”** means a Partnership, limited liability company, and any association, corporation or other entity which is not an individual.

**“Competitive Activities”** means to, own, operate, lend to, advise, be employed by, or have any financial interest in any business that engages in providing dog training services, or training others who provide dog training of any type or in any medium of communication.

**“Computer System”** is defined in Section 7.5.

**“Continuing Royalty”** is defined in Section 5.2.

**“Credit Card Vendors”** is defined in Section 7.5.3.

**“Crisis Management Event”** means any event that occurs in connection with the operation of the Franchised Business that has caused or may cause harm or injury to animals within your care or to customers or employees, such as accidents, contagious diseases, criminal acts, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or reputation of Businesses of us or our Affiliates.

**“Customer Information”** is defined in Section 10.5.

**“Designated Products”** is defined in Section 10.2.

**“Effective Date”** the date we sign this Agreement.

**“EFT”** is defined in Section 5.5.

**“Equity”** means capital stock, membership interests, Partnership Rights, or other equity ownership interests of a Business Entity.

**“Franchised Business”** means the Business operated by you under this Agreement under the Marks and in accordance with the System.

**“Force Majeure”** means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which you could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with you by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Your financial inability to perform or your insolvency are not events of Force Majeure.

**“Governmental Authority”** means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

**“Gross Sales”** means the total of all revenues received or receivable by you as payment, whether in cash, by debit card or for credit or barter or other means of exchange (and, if for credit or barter, the retail value of services provided, the whether or not payment is received therefor), on account of any and all goods, merchandise, services, and supplies sold by the Franchised Business, or which are promoted or sold by you under any of the Marks or from or through your Franchised Business or Business Entity. “Gross Sales” does not include sales taxes collected directly from customers by you in the operation of the Franchised Business, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against you by any Federal, state, municipal or local authority, based on sales of specific goods, merchandise, services, and supplies sold at, from, or in connection with the Franchised Business, provided that such taxes are actually transmitted to the appropriate Governmental Authority.

**“Heirs”** is defined in Section 15.3.2.

**“Improvement”** is defined in Section 7.13.

**“Initial Attendees”** is defined in Section 6.1.

**“Initial Fee”** is defined in Section 1.1.1.

**“Initial Training Fee”** means \$2,500 per person.

**“Initial Training Program”** is defined in Section 6.1.

**“Interim Term”** is defined in Section 3.6.

**“Internet Referral Sources”** means operators of Internet websites (or similar referral sources) that offer to refer customers to us or franchisee for a fee.

**“Marks”** is defined in Recital A.

**“National Accounts”** means any (i) potential or existing commercial customer that has multiple sites, offices, or retail premises located within and outside of the Trade Area, (ii) any pet store, veterinarian, charitable organization which trains seeing-eye or service dogs or similar or related business whose clientele include potential customers for Authorized Products and Services; (iii) government agencies, branches or facilities (including the military); and (iv) any other customer whose presence is not confined to the Trade Area.

**“Notice of Election”** is defined in Section 3.3.1.

“**Owner**” means (i) any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of a Business Entity; and (ii) any person that controls any of the voting rights of a Business Entity; except that if we have any ownership or voting interest in you, the term “**Owner**” does not include or refer to us or our Affiliates.

“**Partner**” means any partner of a Partnership.

“**Partnership**” means any general partnership, limited partnership or limited liability partnership.

“**Partnership Rights**” means voting power, property, profits or losses, or partnership interests of a Partner.

“**Policies**” means the standards, specifications, policies, rules, regulations, procedures, protocols, restrictions, recommendations and guidelines as we may establish and revise from time to time, whether contained in the Brand Standards Manual or as we may otherwise direct in writing.

“**Proprietary Software**” is defined in Section 7.5.2.

“**Restricted Person**” means you, and each of your Owners and Affiliates, the Authorized Trainer, and the respective officers, directors, managers, and Affiliates of each of them, and the spouse and family members who live in the same household of each of the foregoing who are individuals.

“**ROFR**” is defined in Section 14.3.

“**ROFR Period**” is defined in Section 14.3.

“**SEO**” is defined in Section 9.4.

“**Successor Agreement Right**” is defined in Section 3.2.

“**Successor Franchise Agreement**” is defined in Section 3.2.

“**Successor Term**” is defined in Section 3.2.

“**Suppliers**” is defined in Section 10.3.

“**System**” is defined in Recital B.

“**Term**” is defined in Section 3.1.

“**Trade Area**” means the geographic area specifically identified in Addendum “A.”

“**Trade Secrets**” means proprietary and confidential information, including: Policies, the Brand Standards Manual, specifications; suppliers; customer lists, names, addresses and other Customer Information; procedures; concepts; systems; know-how; plans; strategies; methods and techniques of operating a Business.

“**Trainers**” is defined in Section 13.2.

“**Training Facility**” is defined in Section 4.3.

**“Travel Expenses”** means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, regarding our employees’, salespersons’, agents’ and/or representatives’ expenses, a per diem charge we determine in advance, with respect to other incidental expenses incurred, including laundry and/or telephone expenses.

**“Unassigned Area”** is defined in Section 2.4.1.

**“URL”** means uniform resource locator.

**“Vehicle”** or **“Vehicles”** is defined in Section 4.2.2.

**“Wages”** means all salaries and hourly wages, and all related direct and indirect payroll expenses of employees, including employment-related taxes, overtime compensation, vacation benefits, pension and profit-sharing plan contributions, medical insurance premiums, medical benefits, and the like, and all direct and indirect fees, costs and expenses payable to independent contractors, agents, representatives and outside consultants.

**“We,” “us,”** or **“our”** are defined in the introductory paragraph of this Agreement.

**“You”** or **“Your”** are defined in the introductory paragraph of this Agreement.

**ADDENDUM "A" TO FRANCHISE AGREEMENT**

**INFORMATION CONCERNING FRANCHISEE  
AND THE FRANCHISED BUSINESS**

**A. IDENTITY AND STRUCTURE OF FRANCHISEE**

**Franchisee's Name:** \_\_\_\_\_

**Entity type and jurisdiction of formation:** \_\_\_\_\_

**Date of entity formation:** \_\_\_\_\_

**Provide name of each Owner who owns a percentage of the legal entity, and show what percentage of stock, partnership interest, or membership interest is owned by each.**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Each Owner identified above must also sign the Owner Agreement.

**Business Address:** As used in the Agreement, your "**Business Address**" means the place where your business records will be kept, and the place at which you want to receive formal notices from us. As of the Effective Date, your Business Address is:

\_\_\_\_\_

\_\_\_\_\_

**Email Address:** \_\_\_\_\_

**Authorized Trainer's Name:** As used in the Agreement, "**Authorized Trainer**" means (a) you, if you are an individual, or (b) \_\_\_\_\_, or such other individual you later designate, and we accept (unless subsequently disapproved by us), who you warrant and covenant has the authority to act on behalf your during the Term.

**B. INITIAL FEE** (Section 6.1). Your "**Initial Fee**," as that term is used in the Agreement, is payable in full on the Effective Date and is the following amount (check one):

- This is a renewal franchise agreement. As a result, you do not owe us an Initial Fee.
- This is your first franchise with us, or an existing franchisee of ours who purchased a franchise from us after July 2020. Your Initial Fee is \$17,500.
- This is not your first franchise with us and you purchased a franchise from us before July 2020. Your Initial Fee is \$25,000. You are also signing the General Release (Exhibit B) as part of your purchase.

C. **CONTINUING ROYALTY** (Section 6.2). The amount of your Continuing Royalty is set forth as follows (check one):

You are a renewing franchisee, or an existing franchisee of ours who purchased a franchise from us before July 2020 and are purchasing an additional Trade Area. Your Continuing Royalty is \$600. If you pay us the Continuing Royalty on or before the first day of the month that is not a weekend or holiday, your Continuing Royalty for that month only will be \$500.

You are a new franchisee, or an existing franchisee of ours who purchased a franchise from us after July 2020. Your Continuing Royalty is the greater of: (a) nine percent (9%) of your Gross Sales; or (b) \$800.

D. **TRADE AREA.**

We and you have mutually agreed upon a Trade Area based on the site for your Business which is indicated below. You acknowledge that the Trade Area is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document. The boundaries of your Trade Area, as identified below, will be as they exist on the Effective Date.

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By signing below, you acknowledge that the information above is true and correct. Use additional sheets if necessary. All changes to the above information must be reported to us in writing.

**SIT MEANS SIT FRANCHISE, INC.**

**FRANCHISEE:**

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**ADDENDUM "B" TO FRANCHISE AGREEMENT**  
**ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

**Submit Form**

**Sit Means Sit Franchise, Inc.**  
**Automatic Credit Card Billing Authorization Form**

If you would like to enjoy the convenience of automatic billing, simply complete the Credit Card Information section below and sign the form. All requested information is required. Upon approval, we will automatically bill your credit card for the amount indicated and your total charges will appear on your monthly credit card statement. You may cancel this automatic billing authorization at any time by contacting us.

**Customer Information (To be completed by merchant)**

Customer name: \_\_\_\_\_ Customer account number: \_\_\_\_\_ Phone: \_\_\_\_\_

**Payment Information (To be completed by merchant)**

I authorize Franchise (Sit Means Sit Franchise, Inc.) to automatically bill the card listed below as specified:

Amount: \$ \_\_\_\_\_ Frequency:  Weekly  Bi-Weekly  Semi-Monthly  Monthly  
 Quarterly  Semi-Annually  Annually (Check only one)

Start billing on: \_\_\_\_/\_\_\_\_/\_\_\_\_ End billing when:  Contract expires: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 Customer provides written cancellation

**Credit Card Information (To be completed by customer)**

Franchise (Sit Means Sit Franchise, Inc.) accepts the following credit cards: **Visa, MasterCard, American Express, Discover**

Credit card type: \_\_\_\_\_ Credit card number: \_\_\_\_\_ Expires: \_\_\_\_/\_\_\_\_/\_\_\_\_

Cardholder's name: \_\_\_\_\_ Cardholder's Zip code (required): \_\_\_\_\_  
(as shown on credit card) (from credit card billing address)

Customer's signature: \_\_\_\_\_ Date: \_\_\_\_\_





**ADDENDUM "C" TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND TELEPHONE LISTINGS,  
INTERNET ADDRESSES AND SOCIAL MEDIA IDENTITIES**

THIS ASSIGNMENT is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, in accordance with the terms of the Sit Means Sit Franchise, Inc. ("SMS") Franchise Agreement ("Franchise Agreement") between \_\_\_\_\_ ("Franchisee") and SMS, executed concurrently with this Assignment, under which SMS granted Franchisee the right to own and operate a Franchised Business ("License Business") as set forth in the Agreement.

FOR VALUE RECEIVED, Franchisee hereby assigns to SMS (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "Telephone Numbers and Listings"); and (2) those certain Internet website addresses ("URLs"); (3) user names, screen names, or identities on social media sites ("Social Media Identities") associated with SMS's trade and service marks and used from time to time in connection with the operation of the Franchised Business. The Social Media Identities include all Social Media Identities used by Franchisee at the time of Termination relating to the Franchised Business, including but not limited to the following:

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This Assignment is for collateral purposes only and, except as specified herein, SMS shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless SMS shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "Telephone Company"), your Internet service provider ("ISP"), or Social Media provider(s) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without extension), SMS shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings, URLs, and Social Media Identities, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings, URLs, or Social Media Identities, and shall remain liable to the Telephone Company, ISP, or Social Media provider(s) for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between SMS and Franchisee, upon termination or expiration of the Franchise Agreement, SMS will have the sole right to and interest in the Telephone Numbers and Listings, URLs, and the Social Media Identities and Franchisee irrevocably appoints SMS as your true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company, the ISP, and the Social Media provider(s) to assign same to SMS, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company, the ISP, and the Social Media provider(s) to assign the Telephone Numbers and Listings, the URLs, and the Social Media Identities to SMS. If Franchisee fails to promptly direct the Telephone Company, the ISP, and the Social Media provider(s) to assign the Telephone Numbers and Listings, the URLs, and/or the Social Media Identities to SMS, SMS will have the right to direct the Telephone Company, the ISP, and the Social Media provider(s) to effectuate the assignment contemplated hereunder to SMS. The parties agree that the Telephone Company, the ISP, and the Social Media provider(s) may accept SMS's written direction, the Franchise Agreement or this Assignment as

conclusive proof of SMS's exclusive rights in and to the Telephone Numbers and Listings, the URLs, and/or the Social Media Identities upon such termination or expiration and that such assignment will be made automatically and effective immediately upon the Telephone Company, the ISP, or the Social Media provider(s) receipt of such notice from SMS or Franchisee. The parties further agree that if the Telephone Company, the ISP, and the Social Media provider(s) requires that the parties execute the Telephone Company, the ISP, and the Social Media provider(s) assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, SMS's execution of such forms or documentation on behalf of Franchisee shall effectuate your consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

**SMS:**

**FRANCHISEE:**

SIT MEANS SIT FRANCHISE, INC.

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

20\_\_

## ADDENDUM “D” TO FRANCHISE AGREEMENT

### COMPLIANCE QUESTIONNAIRE

As you know, Sit Means Sit Franchise, Inc. (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Sit Means Sit<sup>®</sup> Business. The purpose of this questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below. **If there is not enough room in the space we provide on this questionnaire to give a complete written explanation, please attach additional pages as necessary.**

**We will not ask you to complete the Compliance Questionnaire, and we will disregard any answers from you, if you live or plan to operate your franchise in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, Wisconsin. Do not sign this Compliance Questionnaire if you are a resident of Maryland of the business is to be operated in Maryland.”**

1. Yes\_\_ No\_\_ Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?
2. Yes\_\_ No\_\_ Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
3. Yes\_\_ No\_\_ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4. Yes\_\_ No\_\_ Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
5. Yes\_\_ No\_\_ Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
6. Yes\_\_ No\_\_ Have you had the opportunity to discuss the benefits and risks of developing and operating a Sit Means Sit<sup>®</sup> Business with an existing Sit Means Sit<sup>®</sup> franchisee?
7. Yes\_\_ No\_\_ Do you understand the risks of developing and operating a Sit Means Sit<sup>®</sup> Business?
8. Yes\_\_ No\_\_ Do you understand the success or failure of your Sit Means Sit<sup>®</sup> Business will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
9. Yes\_\_ No\_\_ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated in Nevada, if not resolved informally or by mediation?

10. Yes\_\_ No\_\_ Do you understand that you must satisfactorily complete the initial training program before we will allow your Sit Means Sit® Business to open or consent to a transfer of the Sit Means Sit® Business to you?
11. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Sit Means Sit® Business that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Sit Means Sit® Business will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes\_\_ No\_\_ Do you understand that the Franchise Agreement including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the Sit Means Sit® Business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments or exhibits to the Franchise Agreement will not be binding?
16. Yes\_\_ No\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?
17. Yes\_\_ No\_\_ Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the Sit Means Sit® brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters?

[Signature Page Follows]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

**ADDENDUM “E” TO FRANCHISE AGREEMENT**

**FRANCHISE DEPOSIT ACKNOWLEDGMENT**

TO Sit Means Sit Franchise, Inc.:

I am applying for the grant of a franchise to operate a Sit Means Sit® Business in the general area of \_\_\_\_\_ . I understand that Sit Means Sit Franchise, Inc. (“**you**”) have indicated that you are able to grant a franchise in that area.

To continue the process of obtaining a license to operate a Sit Means Sit® Business, I am submitting this Franchise Deposit Acknowledgement (this “**Acknowledgement**”) and my deposit and application fee of \$1,500 to you.

In connection with my deposit and application fee, I understand and acknowledge the following:

- My entire deposit and application fee of \$1,500 will be applied toward the initial franchise fee payable under your franchise agreement (the “**Franchise Agreement**”).
- Upon my submission of this Acknowledgement and my deposit to you, my deposit will be immediately non-refundable. This amount will be deemed earned by you for processing of my Application and for services performed following approval of my Application.
- If you elect to offer me a Sit Means Sit® franchise, the entire amount of the deposit and application fee will be applied towards the initial franchise fee that I pay to you.
- You will have no obligation to return any portion of the deposit and application fee, regardless of whether you or I perform any services or obligations following submission of my deposit and application fee.
- Your obligations with respect to my deposit and application fee are those of a debtor and not a trustee and you may maintain my deposit and application fee separate and apart from your general funds, or you may commingle it with your general funds. You will not be obligated to pay (or give me any credit for) interest on my deposit and application fee.
- I received your Franchise Disclosure Document and all of its exhibits, including this Franchise Deposit Acknowledgment, more than fourteen (14) calendar days before I signed this Franchise Deposit Acknowledgment or paid you my deposit and application fee.

**FRANCHISE APPLICANT**

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

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

Its: \_\_\_\_\_

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

**Exhibit B**

**General Release**

## GENERAL RELEASE

THIS GENERAL RELEASE (“**Release Agreement**”) is effective as of \_\_\_\_\_ (“**Effective Date**”) by and among Sit Means Sit Franchise, Inc., a Nevada corporation (“**Sit Means Sit**”), \_\_\_\_\_ (“**Franchisee**”), \_\_\_\_\_ (“**Affiliate[s]**”) and \_\_\_\_\_ (“**Owner**” and together with Franchisee and Affiliate[s], jointly and severally, “**Releasor**”).

## RECITALS

A. Sit Means Sit and Franchisee are parties to **[that][those]** certain Franchise Agreement[s], dated \_\_\_\_\_ (the “**Transaction Document[s]**”);

B. **[Franchisee] [Franchisee’s Affiliate[s]]** desires to **[assign the Transaction Document[s]] [enter into a successor, renewal Franchise Agreement with Sit Means Sit] [purchase an additional Sit Means Sit® franchise];** and

C. Sit Means Sit is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Sit Means Sit is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a “clean slate” and that there are no outstanding grievances or Claims against it. Releasor, therefore, gives this Release Agreement as consideration for receiving the agreement of Sit Means Sit to an anticipated change or expansion of the relationship between the parties. This Release Agreement is intended to wipe the slate clean.

## AGREEMENT

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Releasor and Sit Means Sit hereby agree as follows:

1. **Definitions.** As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them.

1.1 “**Claims**” means all actual and alleged claims, demands, Losses, charges, covenants, responsibilities, warranties, obligations, oral and written agreements, debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys’ fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, which in any way relate to or arise from or in connection with the Transaction Documents.

1.2 “**Constituents**” means past, present and future affiliates, parents, subsidiaries, divisions, partners, owners, shareholders, members, trustees, receivers, executors, representatives, administrators, and the respective officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of them.

1.3 “**Excluded Matters**” means **[(i)]** Sit Means Sit’s continuing contractual obligations which arise or continue under and pursuant to the Transaction Document[s] on and after the date of this Release Agreement **]; and (ii) this Release Agreement is not intended to release or waive the provisions of any applicable franchise registration or disclosure law applicable to the grant of that franchise or license.]**

1.4 “**Sit Means Sit Released Parties**” means Sit Means Sit and each of its Constituents.



1.5 “Losses” means all damages, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, including interest, costs and expenses of investigating and prosecuting any Claim, reference proceeding, lawsuit, arbitration or any appeal; all associated actual attorneys’ fees, whether or not the Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid to compromise or settle of any Claim, reference proceeding, lawsuit or arbitration.

2. General Release. Releasor for itself and its Constituents, hereby releases and forever discharges the Sit Means Sit Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and the obligations under this Release Agreement.

3. Waiver of California Civil Code Section 1542.

3.1 Releasor, for itself and its Constituents, acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

3.2 With respect to those Claims being released pursuant to Section 2, Releasor, for itself and its Constituents, acknowledges that it is releasing unknown claims and waives all rights it has or may have under California Civil Code Section 1542 or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasor shall be considered to be a creditor of the Sit Means Sit Released Parties, and each of them.

3.3 Releasor acknowledges that this general release extends to claims which Releasor does not know or suspect to exist in favor of Releasor at the time of executing this Release Agreement, which if known by Releasor may have materially affected its decision to enter into this Release Agreement. It is understood by Releasor that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. Releasor therefore, expressly assumes the risk of the facts turning out to be so different and agrees that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

4. Representations and Warranties. Releasor represents and warrants to Sit Means Sit that, in entering into this Release Agreement, it (i) is doing so freely and voluntarily upon the advice of counsel and business advisor of its own choosing (or declined to do so, free from coercion, duress or fraud); (ii) has read and fully understands the terms and scope of this Release Agreement; (iii) realizes that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are called for to be released by this Release Agreement, that it is aware of no third party who contends or claims otherwise, and that it shall not purport to assign, transfer, or convey any such claim in the future.

5. Covenants Not to Sue. Releasor irrevocably covenants to refrain and cause each of its Constituents to refrain from asserting any Claim, or commencing, initiating or causing to be commenced, any proceeding

of any kind against any Sit Means Sit Released Party, based upon any matter purported to be released pursuant to this Release Agreement.

6. Indemnity. Without in any way limiting any of the rights and remedies otherwise available to any Sit Means Sit Released Party, Releasor shall defend, indemnify and hold harmless each Sit Means Sit Released Party from and against all Claims whether or not involving third party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasor or its Constituents of any Claim or other matter purported to be released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim against any Sit Means Sit Released Party which Claim arises from, or in connection with, any Claim or other matter purported to be released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants by Releasor.

7. Miscellaneous.

7.1 This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.

7.2 This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement. This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties is relying upon any representation, warranty, agreement or covenant not set forth in this Release Agreement.

7.3 This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

7.4 This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.

7.5 All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Release Agreement may require. Neither this Release Agreement nor any uncertainty or ambiguity in this Release Agreement shall be construed or resolved against the drafter, whether under any rule of construction or otherwise. On the contrary, this Release Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties. If any provision of this Release Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

7.6 Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

7.7 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8 This Release Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada, without reference to conflict of law principles.

7.9 This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

8. Dispute Resolution. Each controversy, dispute or claim between the parties arising out of or relating to this Release Agreement or the breach, termination, enforcement, interpretation or validity of this Release Agreement, will be resolved in accordance with Article 20 of the Franchise Agreement.

                      
**RELEASOR**  
**INITIALS**

                      
**FRANCHISOR**  
**INITIALS**

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the date set forth above.

**“Sit Means Sit”: SIT MEANS SIT FRANCHISE,  
INC.**

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

**“Releasor”: “Franchisee”**

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

**“Releasor”: “Affiliate”**

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

**“Owner”:**

\_\_\_\_\_, **an individual**

**[Others:]**

\_\_\_\_\_, **an individual**

**Exhibit C**

**Owner Agreement**

## FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “**Agreement**”) is entered into by: (i) each of the undersigned Owners of Franchisee (defined below); and (ii) the spouse of each such Owner, in favor of Sit Means Sit Franchise, Inc., and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as “you.”

### 1. **Acknowledgments.**

a. **Franchise Agreement; Franchisee.** The term “**Franchisee**,” as used in this Agreement, is the party that entered, or is entering, into a Franchise Agreement with effective as of \_\_\_\_\_ (“**Franchise Agreement**”). Capitalized words not defined in this Agreement will have the same meanings given to them in the Franchise Agreement.

b. **Owners’ Role.** Owners are the beneficial Owners of all of the equity interest in Franchisee. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s Owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Agreement.

c. **Your Access to Our Trade Secrets.** In your capacity as an Owner of the Franchised Business, or the spouse of an Owner of the Franchised Business, you may gain knowledge of our System and Trade Secrets (collectively, the “**Know-how**”). You understand that protecting the Trade Secrets is vital to our success and that of our Businesses and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In addition, you understand that certain terms of the Franchise Agreement apply to “Owners” and not just Franchisee. You agree to comply with the terms of this Agreement in order to: (i) avoid damaging our System by engaging in unfair competition; and (ii) bind yourself to the terms of the Franchise Agreement applicable to Owners.

### 2. **System Protection Covenants.** In light of your above acknowledgements, you covenant and agree to the following:

a. **Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than operating the Franchised Business; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you or your spouse are no longer an Owner of Franchisee, as applicable. You further agree that you will not use the Know-how for any purpose other than the development and operation of Franchisee’s Sit Means Sit® Franchised Business under the terms of the Franchise Agreement and Operations Manual. You agree to assign to us or our designee, without charge, all rights to any Improvements developed by you, including the right to grant sublicenses. If any Legal Requirement precludes you from assigning ownership of any Improvement to us, then you covenant, promise and agree that you will perpetually license that Improvement to us free of charge, with full rights to use, commercialize, and sublicense the Improvement.

b. **Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are an Owner of the Franchised Business, or while your spouse is an Owner of the Franchised Business, as applicable, by engaging in any of the following (collectively, the

**“Prohibited Activities”**): (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our Affiliates or other Sit Means Sit® franchisees); and/or (iii) inducing (a) any of our employees or managers (or one of our Affiliates or other Sit Means Sit® franchisees) to leave their position or (b) any customer of ours (or one of our Affiliates or other Sit Means Sit® franchisees) to transfer their business to you or to any other person that is not then a Franchisee of ours.

c. Unfair Competition After Relationship. You agree that, for a period of two (2) years after the termination of the Franchise Agreement or any successor to it (the **“Restricted Period”**) not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within: (i) the Trade Area; (ii) any other geographic areas wherein Franchisee has operated the Franchised Business (e.g., an Unassigned Area); or (iii) the designated trade area of other “Sit Means Sit” franchisees (the **“Restricted Territory”**). If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).

d. Immediate Family Members. You acknowledge that your disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild) could potentially circumvent the purpose of this Agreement. You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

e. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE. Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic are, we may at any time unilaterally modify the terms of the system protection covenants in Section 2 of this Agreement upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under Section 2 of this Agreement to ensure that the terms and covenants are enforceable under applicable law.

f. Breach. You agree that failure to comply with the covenants in this Section 3 will cause substantial and irreparable damage to us and/or other Businesses for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. None of the remedies available to us under this Section are exclusive of any other,

but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

3. Transfer Restrictions. If you are an Owner of Franchisee, you acknowledge that we must approve all persons who hold a direct or indirect Ownership interest in Franchisee. Accordingly, you agree that you will not, directly or indirectly or by operation of law, sell, assign, mortgage, pledge or in any manner transfer any direct or indirect Ownership interest in Franchisee except in accordance with the terms and conditions set forth in Article 15 of the Franchise Agreement. You acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Agreement and the Franchise Agreement.

4. Personal Guarantee. In order to secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an Affiliate of ours and any promissory note related to payments owed to us (collectively, the "**Secured Agreements**"), you agree to personally guarantee all of Franchisee's financial obligations under the Secured Agreements.

a. Payment. Each of you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successor and assigns, that Franchisee will punctually fulfill all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements.

b. Waiver of Notice. You waive: (1) acceptance and notice of acceptance by us of the foregoing undertakings; (2) notice of demand for payment of any indebtedness guaranteed; (3) protest and notice of default to any party with respect to the indebtedness guaranteed; (4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

c. Liability is Joint and Several. You agree that: (1) your direct and immediate liability under this guarantee will be joint and several with Franchisee and all other persons who sign this Agreement; (2) you will render any payment required under the Secured Agreements upon demand if Franchisee fails or refuses punctually to do so; (3) your liability will not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (4) liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guarantee, which will be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer.

d. Bankruptcy Filing. This guarantee will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or

future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

e. Indemnification. You agree to indemnify, defend and hold harmless us, all of our Affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

f. No Exhaustion of Remedies. You acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

g. Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations that exist under this Agreement or the Business Agreement at the time of death; and the obligations of any other Owners will continue in full force and effect.

5. Dispute Resolution. Any dispute between the parties relating to this Agreement must be brought in accordance with the dispute resolution procedures stated in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures stated in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement will prevail. You acknowledge and agree that a breach of this Agreement by you will constitute a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with its terms.

6. Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce your obligations under this Agreement. You acknowledge and agree that there is no adequate remedy at law for your failure to fully comply with the requirements of this Agreement. You further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper.

7. Miscellaneous.

a. Attorney Fees. If either party hires an attorney or files suit against the other party in relating to an alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.

b. Defenses. Any claim, defense or cause of action that you may have against us, our Affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

c. Severability. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it will not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this



Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

d. Notice. You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery will be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice must be delivered in the manner and to the address listed in the Franchise Agreement.

e. No Third-Party Beneficiaries. Nothing in this Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns and our Affiliates) any rights or remedies under or by reason of this Agreement.

f. Construction. No provision of this Agreement will be interpreted in favor of or against either party merely because of that party's role in the preparation of this Agreement, or because of the nature or type of this Agreement. All references to gender and number will be construed to include such other gender and number as the context may require. All captions in this Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Agreement.

g. Binding Effect. This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

IN WITNESS WHEREOF, each of **Owner** or **spouse of an Owner** has executed this Agreement as of the date or dates set forth below.

(Add additional pages and signature lines, if necessary for each Owner or spouse of an Owner)

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

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

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

Telephone: \_\_\_\_\_

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

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

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

Telephone: \_\_\_\_\_

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

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

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

Telephone: \_\_\_\_\_

**Exhibit D**

**Form of Confidentiality and Non-Competition Agreement**

**(Required for Use With Restricted Persons)**

**SIT MEANS SIT FRANCHISE, INC.**  
**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**  
**(for use with Owners, affiliates, the Authorized Trainer, and the spouse and family members who live in the same household with them)**

In consideration of his or her position as \_\_\_\_\_ of \_\_\_\_\_ (“**Franchisee**”), and One Dollar, the receipt of which is acknowledged, the undersigned (“**Receiver**”) hereby acknowledges and agrees that:

1. General. Sit Means Sit Franchise, Inc. (“**Sit Means Sit**”) has developed a distinctive system relating to businesses providing dog training services and the sale of dog care products, dog training products, dog toys, food and treats, leashes, collars, apparel, and other goods and services, which are established and operated by others under Franchise Agreements with Sit Means Sit.

2. Confidential Information.

(a) General Definition. Receiver will receive valuable proprietary and confidential information, disclosure of which would be detrimental to Sit Means Sit and Franchisee, which may include, without limitation, trade secrets, policies, specifications, procedures, concepts and methods and techniques of developing and operating a “Sit Means Sit” business (collectively, the “**Confidential Information**”). Confidential Information may include information in written, oral or machine readable form, and shall be deemed confidential hereunder regardless of the presence or absence of any stamp or other designation of confidentiality accompanying such information. This list of Confidential Information is illustrative only, and does not include all matters considered confidential by Sit Means Sit and Franchisee.

(b) Exclusions. Confidential Information does not include information that:

(i) is in, or becomes in, the public domain without violation of any agreement by the Receiver or any other person, or

(ii) was known to Receiver prior to disclosure thereof to Receiver, other than by the breach of an obligation of confidentiality owed by anyone to Sit Means Sit or its affiliates, or

(iii) is disclosed to the Receiver by a third party under no obligation of confidentiality to Sit Means Sit or Franchisee and without violation of any agreement by Receiver or any other person, including the third party, or

(iv) was independently developed by Receiver without the use or benefit of any of Sit Means Sit’s trade secrets.

3. Term. This Agreement shall remain in full force and effect and shall survive the termination of Receiver’s employment (or other position or capacity) with Franchisee.

4. Disclosure; Copies. Receiver shall not: (a) disclose such Confidential Information to any person, company or entity, other than as required by Receiver’s duties in his or her position with Franchisee; or (b) copy, photograph or make other facsimiles or drawings of the Confidential Information.

5. Use. Receiver will not sell, utilize, implement, appropriate or otherwise use the Confidential Information for any purpose whatsoever, or permit the use of the Confidential Information by others for any purpose whatsoever, without the express written permission of Sit Means Sit.

6. Forced Disclosure. Notwithstanding any other provisions in this Agreement, Receiver may disclose Confidential Information to the extent required by any applicable law, regulation, or court or governmental order; provided that Receiver gives Sit Means Sit and Franchisee reasonable advance written notice of any request or demand for such disclosure and the opportunity to contest such law, regulation or order.

7. Return of Information. Receiver acknowledges and agrees that all Confidential Information furnished hereunder shall be and remain the property of Sit Means Sit. Upon demand, any and all Confidential Information and copies thereof must be returned to Sit Means Sit, or to Franchisee at Sit Means Sit's direction.

8. Non-Competition. While in his or her position with Franchisee, and for a period of two (2) years after Receiver ceases to be in that position, Receiver will not:

(a) own, operate, lend to, advise, be employed by, or have any financial interest in any business that engages in providing dog training services, or training others who provide dog training, at any location within the designated trade area of any "Sit Means Sit" franchisees; or

(b) solicit business of any kind or nature from an individual or business entity that was a customer of Franchisee or other "Sit Means Sit" franchisee during the two (2) year period immediately preceding such event.

9. Enforcement. Receiver acknowledges and agrees that disclosure or misappropriation of Confidential Information in violation of this Agreement may cause Sit Means Sit and/or Franchisee irreparable harm, the effect of which may be difficult to ascertain, and agrees therefore that Sit Means Sit and/or Franchisee shall be entitled to injunction and/or specific performance in addition to all other remedies otherwise available at law or equity. If it becomes necessary to enforce the terms of this Agreement, Receiver shall be obligated to pay any and all costs reasonably incurred by Sit Means Sit and/or Franchisee in pursuing such enforcement, including attorneys' fees and court costs.

10. Waiver. The failure of Sit Means Sit or Franchisee in any one or more instances to insist upon strict performance of any of the terms or provisions of this Agreement, or to exercise any option herein conferred, shall not be construed as a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms, provisions or options on any future occasion.

11. Severability. Any provision of this Agreement which is rendered unenforceable by a court of competent jurisdiction shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective any or all of the remaining provisions of this Agreement.

12. Choice of Law. This Agreement shall be construed under the laws of the State in which your "Sit Means Sit" business is located. The only way this Agreement can be changed is in a writing signed by both Franchisee and Receiver.

13. Successors. This Agreement shall be binding upon and inure to the benefit of Sit Means Sit, Franchisee, Receiver, and their respective successors and assigns.

14. Entire Agreement. This Agreement constitutes the entire agreement by Receiver in regard to the confidentiality of matters disclosed pursuant to this Agreement, and supersedes any prior oral or written representations in regard to said matters.

**“RECEIVER”**

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

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

**Position:** \_\_\_\_\_

**Address:** \_\_\_\_\_

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

**ACKNOWLEDGED BY FRANCHISEE:**

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

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

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

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ ) ss.

This instrument was acknowledged before me on \_\_\_\_\_, \_\_\_\_\_ by \_\_\_\_\_

Notary Public \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**Exhibit E**

**Form of Confidentiality Agreement**

**(Required for Use With Trainers)**

**SIT MEANS SIT FRANCHISE, INC.**  
**CONFIDENTIALITY AGREEMENT**  
**(For Use With Trainers)**

THIS NON-DISCLOSURE AGREEMENT (the “Agreement”) is made between \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_, (“Receiving Party”), which Franchisee and Receiving Party intend to directly benefit Sit Means Sit Franchise, Inc. (“SMS”) and is effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. General. Sit Means Sit Franchise, Inc. (“Sit Means Sit”) has developed a distinctive system relating to businesses providing dog training services and the sale of dog care products, dog training products, dog toys, food and treats, leashes, collars, apparel, and other goods and services, which are established and operated by others under Franchise Agreements with Sit Means Sit.

**RECITALS**

A. Receiving Party intends to work for a business using the Sit Means Sit Methods.

B. Receiving Party wishes to be trained by SMS or Franchisee in the Sit Means Sit Methods for the sole purpose of working in, operating, or assisting with a Sit Means Sit Business, and for no other purpose.

C. SMS or Franchisee is/are willing to train Receiving Party in the Sit Means Sit Methods.

In consideration of the promises and covenants by Receiving Party contained in this Agreement, and in consideration of one dollar, the receipt of which is acknowledged, Receiver and Franchisee therefore agree as follows:

1. **DEFINITIONS**. As used in this Agreement, the following terms have these definitions:

a. Confidential Information: Non-public information that SMS or Franchisee designates as being confidential or which, under the circumstances surrounding disclosure, ought to be treated as confidential. “Confidential Information” includes, without limitation: the Sit Means Sit Methods, operations manuals, specifications; suppliers; customer lists, names, addresses and other customer information; procedures; concepts; systems; know-how; plans; strategies; methods and techniques of operating a Sit Means Sit Business. Confidential Information shall not include information that Receiving Party can conclusively establish: (i) entered the public domain without Receiving Party's breach of any obligation owed SMS or Franchisee; (ii) became known to Receiving Party prior to the SMS's or your disclosure of such information to Receiving Party; or (iii) became known to Receiving Party from a source other than SMS or Franchisee other than by the breach of an obligation of confidentiality owed to SMS or Franchisee.

b. Brand Standards Manual: SMS's operations manual(s), and all related manual(s) now or hereafter created by SMS for use in the operation of Sit Means Sit Businesses, including all bulletins, supplements and ancillary manuals.

c. Sit Means Sit Business: A business providing dog training services and the sale of dog care products, dog training products, dog toys, food and treats, leashes, collars, apparel, and other goods and services, which system includes various operating methods, techniques, products, distinctive signs, Confidential Information, record-keeping and marketing techniques.

d. Sit Means Sit Methods. Techniques and methods of operation for running a Sit Means Sit Business.

2. **REPRESENTATIONS BY RECEIVING PARTY**. In consideration of being trained in the Sit Means Sit Methods, Receiving Party represents to SMS and Franchisee that:

a. Receiving Party seeks training from SMS and/or Franchisee in the Sit Means Sit Methods for the sole purpose of working in, operating, or assisting with a Sit Means Sit Business and/or Franchisee, and for no other purpose.

b. Receiving Party understands that the Sit Means Sit Methods are proprietary and confidential to SMS, and that SMS and/or Franchisee is agreeing to train Receiving Party in the Sit Means Sit Methods based on the representation and agreement by Receiving Party that Receiving Party will use the Sit Means Sit Methods for no purpose other than to operate as employee or independent contractor of Franchisee.

c. Receiving Party acknowledges that SMS and/or Franchisee is agreeing to train Receiving Party in the Sit Means Sit Methods based on Receiving Party's acknowledgements, representations and covenants in this Agreement.

d. Receiving Party acknowledges that, in connection with the training offered by SMS and/or Franchisee, s/he will obtain knowledge of Confidential Information. Receiving Party acknowledges that, without the Confidential Information, Receiving Party could not effectively and efficiently operate a dog training business as a Sit Means Sit Business. Receiving Party further acknowledges that such Confidential Information was not known to Receiving Party prior to execution of this Agreement and that the Sit Means Sit Methods are unique and novel to SMS Businesses.

### **3. RESTRICTIONS ON USE OF CONFIDENTIAL INFORMATION.**

a. Covenant Not to Disclose Confidential Information. Receiving Party shall not, under any circumstances, disclose any Confidential Information to third parties, except to Receiving Party's consultants as provided below.

b. Covenant Not to Use Confidential Information. Receiving Party shall not directly or indirectly, own, manage, operate, participate in, misappropriate or use any Confidential Information, or be connected as a director, officer, shareholder, partner, joint venturer, employee, consultant, or otherwise engage in any business that misappropriates or uses any of the Confidential Information to compete with or cause injury to SMS or usurp the business opportunities of SMS related to the Confidential Information. Receiving Party will not sell, utilize, implement, appropriate or otherwise use the Confidential Information for any purpose whatsoever, or permit the use of the Confidential Information by others for any purpose whatsoever, without the express written permission of SMS.

c. Preservation of Confidentiality. Receiving Party shall take reasonable security precautions to keep confidential the Confidential Information.

d. No Copies; Materials Will Not Be Removed From Premises. Receiving Party agrees that Receiving Party will not remove any materials that contain Confidential Information from the premises of any Sit Means Sit Business. Receiving Party also agrees that s/he will not copy, photograph or make other facsimiles or drawings of the Confidential Information.

### **4. SMS'S RIGHTS AND REMEDIES FOR BREACH.**

a. Irreparable Harm. Receiving Party acknowledges that a breach of this Agreement by Receiving Party would cause permanent and irreparable damage to SMS and Franchisee, for which monetary damage would not adequately compensate SMS and Franchisee, and that SMS and Franchisee shall be entitled, without waiving any other rights or remedies they may have at law or equity, to an injunction enjoining and restraining Receiving Party from violating this Agreement.

b. Attorney Fees. If SMS, Franchisee, or Receiving Party employ any attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorney fees.

c. Remedies Not Exclusive. No right or remedy herein conferred upon, or reserved to SMS or Franchisee is exclusive of any other right or remedy herein, or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder.



**5. GENERAL.**

a. Property of SMS. All Confidential Information are and shall remain the property of SMS. By disclosing information to Receiving Party, SMS does not grant any express or implied right to Receiving Party under SMS's patents, copyrights, trademarks, or trade secrets.

b. Term. This Agreement shall remain in full force and effect and shall survive the termination of Receiving Party's employment (or other position or capacity) with Franchisee or any other Sit Means Sit Business.

c. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to its subject matter. It shall not be modified except by a written agreement dated subsequent to the date of this Agreement and signed by both parties. None of the provisions of this Agreement shall be deemed to have been waived by any act or acquiescence on the part of SMS, its agents, or employees, but only by an instrument in writing signed by an authorized manager or officer of SMS. No waiver of any provision this Agreement shall constitute a waiver of any other provision(s) or of the same provision on another occasion.

d. Governing Law. This Agreement shall be construed and controlled by the laws of the State of Nevada (where SMS's headquarters are located, and where Receiving Party received its training in the Sit Means Sit Methods).

e. Successors and Assigns. Subject to the limitations set further in this Agreement, this Agreement will inure to the benefit of and be binding upon the parties, their successors and assigns.

f. Severability. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall, remain in full force and effect.

g. Survival. All obligations created by this Agreement shall survive change or termination of Receiving Party's business relationship with SMS, Franchisee, or any SMS Business.

**Receiving Party**

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

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

**Position:** \_\_\_\_\_

**Address:** \_\_\_\_\_

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

**Exhibit F-1**

**Current Franchisee Information as of December 31, 2023**

Last	First	State	Address	Phone
Scofield	Alex	AR	07 Shadow Court Huntsville, Al 35824 US	479-422-9704
Drugmand	Toni	AZ	15610 N 21st Street Phoenix, AZ 85022	602-690-0600
Mischka/ Angone	Melissa/ Brittany	AZ	6677 E little michigan rd #109 Sierra Vista, Az 86535	520-461-3127
Mischka/ Angone	Melissa/ Brittany	AZ	6677 E little michigan rd #109 Sierra Vista, Az 86535	520-461-3127
Duong	Thu	CA	410 SKyway Drive san jose, CA 95111 US	408-634-9247
Bruce	Lisa- Marie	CA	4067 Hardwick St 112 Lakewood, Ca 90712	562-212-4960
Hunt	Cindy	CA	17661 Beach Blvd Huntington Beach, CA 92647	719-271-7325
Hunt	Hunt	CA	17661 Beach Blvd Huntington Beach, CA 92647	719-271-7325
Jorgenson	Adam	CA	1120 Doker Dr Suite 2 Modesto, CA 95351	209-596-3079
Jorgenson	Adam	CA	1120 Doker Dr Suite 2 Modesto, CA 95351	209-596-3079
McMillan	Tim	CA	10035 Carroll Canyon Rd Suite D San Diego, CA 92131	858-621-3647
McMillan	Tim	CA	10035 Carroll Canyon Rd Suite D San Diego, CA 92131	858-621-3647
Jorgenson	Adam	CA	1120 Doker Dr Suite 2 Modesto, CA 95351	509-596-3079
Laseter	Whitney	CA	27061 Tossamar Mission Viejo, CA 92692	4053347339
Stephenson	Trent	CA	348 W. Foothill Blvd Glendora, CA 91741	909-630-2460
Fitz-Gerald	Ashton	Canada	1059 Olive ave oshawa, ontario L1H2T2	416-819-3647
Archuleta	James	CO	333 W. Hampden Ave Englewood, CO 80110	720-297-9954
Bracciante	Anthony	CO	4949 Marshall St. Wheat Ridge, CO 80033	303-619-1301
Bracciante	Anthony	CO	4949 Marshall St. Wheat Ridge, CO 80033	303-619-1301
Hunt	Cynthia	CO	4215 Sinton Rd Colorado Springs, CO 80907	719-271-7325
Langdon	Jon	CO	5101 S. Van Gordon St. Littleton, CO 80127	303-718-1062
Baker	Erin	CO	2424 N Freeway Pueblo, CO 81003	719-252-4860
Volz	Adam	CO	1901 E Lincoln Ave Fort Collins, CO 80524	417-234-5152
Brady	Sandra	CO	4040 Kodiak Ct Frederick, CO 80504	724-816-8702
Cohen	Neil	CT	13 Travis Ave Montrose, NY 10548	914-447-0567
Benedict	David	FL	15021 Winding ridge lane Clermont, FL 34715	407-575-3864
Burnell	Robert + Eileen	FL	7777 Thornlee Drive Lake Worth, FL 33467	561-543-5583
Cohen	Neil	FL	13 Travis Ave Montrose, NY 10548	914-447-0567
Elwart	Elena	FL	2646 18th Ave N St Petersburg, FL 33713	727-537-9721
Foreman	Alexis	FL	28400 Old 41 Rd 5 Bonita Springs, FL 34135	239-287-4870
Foreman	Alexis	FL	28400 Old 41 Rd 5 Bonita Springs, FL 34135	239-287-4870
Manes	Amber	FL	11659 Lake Ride Dr. Jacksonville, FL 32223	904-775-2444
Manes	Amber	FL	11659 Lake Ride Dr. Jacksonville, FL 32223	904-775-2444
Manes	Amber	FL	11659 Lake Ride Dr. Jacksonville, FL 32223	904-775-2444
McKenzie	Kris	FL	10184 Fisher Ave Unit B Tampa, FL 33619	330-606-2713
McKenzie	Kris	FL	10184 Fisher Ave Unit B Tampa, FL 33619	330-606-2713

Last	First	State	Address	Phone
McKenzie	Kris	FL	10184 Fisher Ave Unit B Tampa, FL 33619	813-720-7364
Nowak	Mark	FL	4831 18th ave n Saint Petersburg, FL 33713	727-537-9721
Pepper	Brina	FL	604 Rosegate Lane Orlando, FL 32835	407-765-5022
SMith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Smith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Smith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Smith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Smith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Smith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Smith	Matt	FL	280 Hunt Park Cove 1090 Longwood, FL 32750	407-619-8686
Tolliver	Lori	FL	31151 Chevy Chase Dr. Sorrento, FL 32776	352-409-6007
Wheeler	Mike	FL	3032 Progress Road Madison, WI 53716	608-512-6652
Wheeler	Mike	FL	3032 Progress Road Madison, WI 53716	608-512-6652
Shepherd	Darin	GA	7580 Granite Dr Douglasville, GA 30134	406-451-6926
Tutterow	Alex	GA	2515 Hurt Bridge Road Cumming, GA 30028	678-617-3335
Sanchez	Scott	HI	2251 Hana HWY Haiku-Pauwela, HI 96708	808-283-6121
Dey	Ryan	IA	3611 70th St Urbandale, IA 50322	407-488-9628
Omerza	Kerry	IL	11751 S Millard Ave Alsip, IL 60803	708-582-0434
Romanik	Tony	IL	3266 N Elston Ave Chicago, IL 60618	773-620-1589
Romanik	Tony	IL	3266 N Elston Ave Chicago, IL 60618	231-818-1779
Romanik	Tony	IL	3266 N Elston Ave Chicago, IL 60618	231-818-1779
Altherr	Chris	IN	1105 Touby Pike Kokomo, IN 46901	765-432-7243
Altherr	chris	IN	1105 Touby Pike Kokomo, IN 46901	765-432-7243
Skoletsky	David	MA	2 Foundry Street South Easton, MA 02375	508-444-8878
Farrow	Elizabeth/ Lisa	MD	524 Macintosh Circle Joppa, MD 21085 US	410-679-0915
Pigott	Kari	MD	32 Thomas Johnson Drive Frederick, MD 21702	301-667-0066
pigott	Kari	MD	32 Thomas Johnson Drive Frederick, MD 21702	301-667-0066
Strong	Matthew	MD	2222 Kalmia Road Bel Air, MD 21015	443-768-3140
Strong	Matthew	MD	2222 Kalmia Road Bel Air, MD 21015	443-768-3140
Strong	Matthew	MD	2222 Kalmia Road Bel Air, MD 21015	443-768-3140
strong	Matthew	MD	2222 Kalmia Road Bel Air, MD 21015	443-768-3140
Brewer	Kristin	ME	2 William Knight Rd Windham, ME 04062	407-489-7199
Wendler	Rodney	MI	15475 S Telegraph Rd Monroe, MI 48161	734-819-8618
Folgmann	Jason	MI	808 Polaris Crescent Dr Traverse City, MI 49685	231-392-3755
Garabedian	Amy	MI	2179 Crooks Rd Rochester Hills, MI 48309	248-688-9450
Garabedian	Amy	MI	2179 Crooks Rd Rochester Hills, MI 48309	248-688-9450
Mather	Audra	MI	1265 College Rd Mason, MI 48854	608-712-8172
Glazek	Tessie	MN	8129 243 rd ave Stacy, MN 55079	651-890-9533
Paddock	Ryan	MN	220 adams st. anoka, MN 55303	763-442-5470

Last	First	State	Address	Phone
Mancuso	Tom	MO	1407 Spurlock Cove Raymore, MO 64083	816-878-4878
Mcdowell	Chase	MO	539 Boones Lick Rd St.charles, Mo 63301	727-809-1378
Shepherd	Darin	MT	20 Ginger Bear Lane Unit b Bozeman, MT 59718	406-451-6926
O'Donnell	Michael	NC	2521 schieffelin Rd 112 apex, NC 27502	919-601-8626
Rause	Shawn	NC	848 Coosaw Pl. Wilmington, Nc 28412	919-830-6736
Self	Colby	NC	125 International Drive, Suite G Morrisville, NC 27560	919-437-2073
Self	Colby	NC	125 International Drive, Suite G Morrisville, NC 27560	919-437-2073
Smith	Alyssa	NC	7630 Walnut Cove Rd Walnut Cove, Nc 27052	919-606-5483
Thayer	Ernest	NC	1950 Hendersonville Road Asheville, Nc 28803	1321-316-7656
Mahoney	Phillip	NH	140 Hartt Ave Manchester, NH 03109	720-810-5346
Medina	Ray	NJ	95 Holly Tree Lane Toms River, Nj 08753 US	215-593-0539
Campanile	Robert	NJ	142 morey place rd waretown, NJ 08758	609-242-1126
Devivo/ Medina	Sal/ Ray	NJ	95 Holly Tree Ln Toms River, NJ 08753	215-593-0539
Pollard	Jori	NM	10408 2 nd St NW Albuquerque, NM 87114	719-240-5043
Pollard	Jori	NM	10408 2 nd St NW Albuquerque, NM 87114	719-240-5043
Marteneis	Mike	NV	8095 Blackfoot Way Reno, Nv 89506 US	775-741-4115
Nobles	Brandon	NV	4385 W pebble rd las vegas, NV 89139	239-265-7459
Nobles	Brandon	NV	4385 W pebble rd las vegas, NV 89139	239-265-7459
Nobles	Brandon	NV	4385 W pebble rd las vegas, NV 89139	239-265-7459
Nobles	Brandon	NV	4385 W pebble rd las vegas, NV 89139	239-265-7459
Nobles	Brandon	NV	4385 W pebble rd las vegas, NV 89139	239-265-7459
Bryant	Thomas + Bill	NY	4550 State Route 233 Clinton, NY 13323	315-570-3705
Longenecker	Tom	NY	3719 Union Rd 123 Cheektowaga, NY 14225	631-873-8323
Wilbert	David	NY	7730 Frontage Road Cicero, NY 13039	315-466-4591
Cohen	Neil	NY	13 Travis Avenue Montrose, Ny 10548	914-447-0567
Wendler	Rodney	OH	15475 S Telegraph Rd Monroe, MI 48161	734-819-8618
Foster	Erica	OH	4351 Rock Haven Rd Newark, Oh 43055	740-412-1982
Homan	Michael	OH	1425 Cooper Foster Park Rd Amherst, OH 44001	440-799-1961
Homan	Michael	OH	1425 Cooper Foster Park Rd Amherst, OH 44001	440-799-1961
Juenger	Bill	OH	3150 Fair Ave Columbus, OH 432009	614-704-9898
Juenger	Bill	OH	3150 Fair Ave Columbus, OH 432009	614-704-9898
Sexton	Heather	OH	605 Norgal Drive Lebanon, OH 45036	513-257-9627
Pollock	Paul	OH	1062 Jacoby Rd BLDG A Copley, OH 44321	330-431-1977
Pollock	Paul	OH	1062 Jacoby Rd BLDG A Copley, OH 44321	330-431-1977
Miller	Lukas	OK	3201 Clay dr Edmond, OK 73013	405-888-6787
Miller	Lukas	OK	3201 Clay dr Edmond, OK 73013	405-888-6787
Miller	Ryel	OK	1400 Penn Lane Moore, OK 73160	307-631-2438
Woodman	Robert	OR	9425 SW Commerce Cir Unit 18b Wilsonville, OR 97070	503-739-3400

Last	First	State	Address	Phone
Devivo	Salvatore	PA	701 E Elm st Conshohocken, PA 19428	215-593-0539
Luxton	Matthew	PA	3240 unionville rd Cranberry, PA 16066	412-440-8748
Pierce	Lisa	PA	5212 Curry Road Pittsburgh, PA 15236	412-345-1748
Pierce	Lisa	PA	5212 Curry Road Pittsburgh, PA 15236	412-345-1748
Folgmann	Kyle	TN	4128 Miles Johnson Pkwy Spring Hill, TN 37174	231-342-8446
Folgmann	Kyle	TN	4128 Miles Johnson Pkwy Spring Hill, TN 37174	231-342-8446
Henderson	Jessica	TN	9023 Oak Ridge Hwy Knoxville, TN 37931	420-240-8187
Shade	Alan	TN	3911 Magnolia Lane Nesbit, Ms 38651	901-871-8868
Wall	Teddy	TN	1945 Southpointe Way Suite A Murfreesboro, TN 37130	615-830-9203
Kerr	John	TX	11151 State Highway 153 Winters, TX 79567	806-828-0747
Leach	Ryan	TX	3809 McCullough Road College Station, TX 77845	719-306-2910
Leach	Ryan	TX	3809 McCullough Road College Station, TX 77845	719-306-2910
Leach	Ryan	TX	914 W Commerce St Dallas, TX 75208	719-306-2910
Leach	Ryan	TX	914 W Commerce St Dallas, TX 75208	719-306-2910
Nease	Michael	TX	4017 Big Prairie Drive Aubrey, Tx 76227	410-635-4748
Tolman	Aaaron	TX	13813 Mccomb Rd Conroe, Tx 77302	281-866-4267
Tolman	Aaaron	tx	13813 Mccomb Rd Conroe, Tx 77302	281-866-4267
Shah	Chirag	TX	8708 S. Congress Ave 500-367 Austin, Tx 78745	512-566-9338
shah	Chirag	TX	8708 S. Congress Ave 500-367 Austin, Tx 78745	512-566-9338
Putnam	Stephanie	TX	8017 Pebblebrook Dr Watauga, TX 76148	817-715-1526
Serrano	Alex	TX	10938 visconti ct RICHMOND, TX 77406	724-331-0215
VanGilder	Teresa	tx	2200 Los Rios Blvd 130 Plano, TX 75074	817-471-0477
Webster	Robin	TX	1027 W US Hwy 190 Frontage Rd. Belton, TX 76513	254-760-2963
Wirick	Wesley	TX	904 Elm Street Portland, TX 78374	254-913-0685
York	Lisa	TX	10025 Broadway St San Antonio, TX 78217	805-796-8616
York	Lisa	TX	10025 Broadway St San Antonio, TX 78217	805-796-8616
Nobles	Brandon	UT	4385 W pebble rd las vegas, NV 89139	239-265-7459
Laseter	Whitney	UT	3742 W 9000 S West Jordan, Ut 84088	801-556-4191
Douglas	Michelle	VA	11184 Crest Ln Bealeton, VA 22712	571-762-1904
Douglas	Michelle	VA	11184 Crest Ln Bealeton, VA 22712	571-762-1904
Frink	JP	VA	707 Dawn Street Richmond, VA 23222	804-762-0398
Frink	JP	VA	707 Dawn Street Richmond, VA 23222	804-762-0398
Frink	JP	VA	707 Dawn Street Richmond, VA 23222	804-762-0398
Frink	JP	VA	707 Dawn Street Richmond, VA 23222	804-762-0398
Smircina	Susan	VA	40788 Red Hill Rd\ Leesburg, Va 20175	571-223-6898
Sprague	Steven	WA	23 west 1st ave B KENNEWICK, WA 99336	509-386-4929
Woodman	Bobby + Natalia	WA	9425 SW Commerce Cir Unit 18b Wilsonville, OR 97070	503-739-3400
Meitner	Matthew	WI	1325 Pearl Street Waukesha, WI 53186	414-852-6098

<b>Last</b>	<b>First</b>	<b>State</b>	<b>Address</b>	<b>Phone</b>
Meitner	Matthew	WI	1325 Pearl Street Waukesha, WI 53186	414-852-6098
Meitner	Matthew	WI	1325 Pearl Street Waukesha, WI 53186	414-852-6098
Meitner	Matthew	WI	1325 Pearl Street Waukesha, WI 53186	414-852-6098
Wheeler	Mike	WI	3032 Progress Road Madison, WI 53716	608-512-6652
Day	Curtis	WY	736 n Glenn rd Casper, WY 82636	307-251-7784
Day	Curtis	WY	736 n Glenn rd Casper, WY 82636	307-251-7784

### Current MLAs:

State	Trade Area	Name	Address	E-Mail	Phone
MO	Kansas City	Mancuso, Tom	1308 Johnston Dr, Raymore, MO 64083	<a href="mailto:tommancuso@sitmeanssit.com">tommancuso@sitmeanssit.com</a>	816-878-4878



**Exhibit F-2**

**Former Franchisee Information**

<b>Last</b>	<b>First</b>	<b>Last Known Address</b>	<b>State</b>	<b>Phone</b>
Roussell	Christina	1104 17th Ave N St Petersburg, FL 33704	FL	727-418-6419
Skalski	Connie	5591 Pyles Rd. Columbiaville, MI 48421	MI	810-347-1695
Uyeno	Brian	9425 SW Commerce Cir Unit 18b Wilsonville, OR 97070	OR	408-316-7989
Woodman	Robert	9425 SW Commerce Cir Unit 18b Wilsonville, OR 97070	OR	503-739-3400
McMillan	Tim	10035 Carroll Canyon Rd Suite D San Diego, CA 92131	CA	858-621-3647
Parvizian	Hamid	4506 Yale St Houston, TX 77018	TX	713-444-9593
Parvizian	Hamid	4506 Yale St Houston, TX 77018	TX	713-444-9593

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

**Exhibit F-3**

**Franchisees That Have Signed Agreements But Are Not Yet Open as of December 31, 2023**

None.

**Exhibit G**  
**Financial Statements**

**Exhibit G-1**

**Unaudited Financial Statements for the Period Ended June 30, 2024**

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

Sit Means Sit Franchise, Inc.  
**Balance Sheet**  
As of June 30, 2024

	<u>Jun 30, 24</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
19509 · Bank of Nevada	397,552.85
<b>Total Checking/Savings</b>	397,552.85
<b>Accounts Receivable</b>	
11001 · Accounts Receivable	60,152.95
<b>Total Accounts Receivable</b>	60,152.95
<b>Other Current Assets</b>	
14000 · Pre-Paid Deposit	1,959.00
<b>Total Other Current Assets</b>	1,959.00
<b>Total Current Assets</b>	459,664.80
<b>Fixed Assets</b>	
15000 · Furniture and Equipment	28,074.00
15200 · Dog Pool	10,882.00
16400 · Vehicles	128,760.00
17000 · Accumulated Depreciation	-157,861.00
<b>Total Fixed Assets</b>	9,855.00
<b>Other Assets</b>	
16000 · ROU	146,297.16
16500 · Accumulated Amortization	-26,888.41
<b>Total Other Assets</b>	119,408.75
<b>TOTAL ASSETS</b>	<b><u>588,928.55</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
20000 · Accounts Payable	649.00
<b>Total Accounts Payable</b>	649.00
<b>Credit Cards</b>	
22200 · Bank of Nevada CC	1,731.59
<b>Total Credit Cards</b>	1,731.59
<b>Other Current Liabilities</b>	
20100 · Current Mat deferred fran fees	145,785.00
20200 · Lease Obligations,current	41,260.53
<b>Total Other Current Liabilities</b>	187,045.53
<b>Total Current Liabilities</b>	189,426.12
<b>Long Term Liabilities</b>	
22500 · DeferredFranfees net of current	908,996.00
27000 · Due To/From SMSI	-1,189,817.84
28000 · Lease Obligations, long term	82,226.43
<b>Total Long Term Liabilities</b>	-198,595.41
<b>Total Liabilities</b>	-9,169.29

8:11 AM

Sit Means Sit Franchise, Inc.

07/31/24

**Balance Sheet**

Accrual Basis

As of June 30, 2024

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	<u>Jun 30, 24</u>
Equity	
30100 · Common Stock	100.00
31000 · Additional Paid-In Capital	87,977.82
32000 · Retained Earnings	166,112.80
37000 · Less, Sales of Stock	-90,000.00
Net Income	<u>433,907.22</u>
<b>Total Equity</b>	<u>598,097.84</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>588,928.55</u></u>

## Profit &amp; Loss

January through June 2024

	<u>Jan - Jun 24</u>
Ordinary Income/Expense	
Income	
40600 · Services	200.00
47900 · Sales	643,821.78
	<hr/>
Total Income	644,021.78
Cost of Goods Sold	
50560 · Seminar Expenses	1,869.11
50561 · Seminar Expenses Reimbursements	1,293.92
51800 · Merchant Account Fees	13,058.06
53500 · Credit Background Check Report	1,061.47
	<hr/>
Total COGS	17,282.56
Gross Profit	626,739.22
Expense	
60200 · Automobile Expense	50,731.86
60400 · Bank Service Charges	5,795.71
61000 · Business Licenses and Permits	672.50
61600 · Commissions	22,500.00
61700 · Computer and Internet Expenses	6,605.50
63300 · Insurance Expense	
63330 · Life Insurance	17,533.68
63300 · Insurance Expense - Other	5,864.88
	<hr/>
Total 63300 · Insurance Expense	23,398.56
63900 · Main Event	
63910 · Travel	1,681.56
	<hr/>
Total 63900 · Main Event	1,681.56
66700 · Professional Fees	
66710 · Accounting Fees	9,425.00
66720 · Legal	28,174.75
66700 · Professional Fees - Other	4,500.00
	<hr/>
Total 66700 · Professional Fees	42,099.75
67100 · Rent Expense	31,451.94
67200 · Repairs and Maintenance	2,529.94
68300 · Franchise Termination Expenses	525.00
68600 · Utilities	3,890.28
69900 · Veterinary Charges	949.40
	<hr/>
Total Expense	192,832.00
Net Ordinary Income	433,907.22
	<hr/>
Net Income	<u><u>433,907.22</u></u>



**Exhibit G-2**

**Audited Financial Statements for Years 2022, 2021, and 2020**

**SIT MEANS SIT FRANCHISE, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

**SIT MEANS SIT FRANCHISE, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Table of Contents**

**Independent Auditor’s Report** ..... 1-2

**Financial Statements:**

    Balance sheets ..... 3

    Statements of income and retained earnings (accumulated deficit) ..... 4

    Statements of cash flows ..... 5

**Notes to the Financial Statements** ..... 6-10

***Independent Auditor's Report***

To the Stockholders and Management of  
Sit Means Sit Franchise, Inc.

**Opinion**

We have audited the accompanying financial statements of Sit Means Sit Franchise, Inc. (a Nevada S Corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and retained earnings (accumulated deficit), and cash flows for the years then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sit Means Sit Franchise, Inc.'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 Sit Means Sit Franchise, Inc.'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.

*Velez & Hardy*

May 9, 2024  
Las Vegas, Nevada

**SIT MEANS SIT FRANCHISE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 254,125	\$ 662,238
Accounts receivable, net	43,237	108,272
Due from related party	889,818	-
Prepaid expenses	3,675	-
Total current assets	1,190,855	770,510
<b>Property and Equipment, net</b>	7,467	9,855
<b>Other Assets:</b>		
Intangible lease assets, net	75,987	119,409
Deposits	1,959	1,959
	77,946	121,368
<b>Total Assets</b>	<b>\$ 1,276,268</b>	<b>\$ 901,733</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 435	\$ 2,223
Lease obligations, current	43,820	41,261
Current maturities of deferred franchise fees	149,535	145,785
Due to related party	-	63,547
Total current liabilities	193,790	252,816
<b>Long-Term Liabilities:</b>		
Lease obligations, net of current	38,407	82,226
Deferred franchise fees, net of current	797,627	908,996
Total long-term liabilities	836,034	991,222
<b>Total Liabilities</b>	<b>1,029,824</b>	<b>1,244,038</b>
<b>Stockholders' Equity (Deficit):</b>		
Common stock, \$.001 par value; 100,000 shares authorized, 100,000 shares issued; 67,000 shares outstanding	100	100
Additional paid-in capital	87,978	87,978
Treasury stock	(90,000)	(90,000)
Retained earnings (accumulated deficit)	248,366	(340,383)
<b>Total Stockholders' Equity (Deficit)</b>	<b>246,444</b>	<b>(342,305)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 1,276,268</b>	<b>\$ 901,733</b>

See accompanying notes to the financial statements.

**SIT MEANS SIT FRANCHISE, INC.**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS (ACCUMULATED DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenue</b>	\$ 1,237,007	\$ 1,369,213
<b>Cost of Revenue</b>	<u>195,076</u>	<u>141,423</u>
<b>Gross Profit</b>	<u>1,041,931</u>	<u>1,227,790</u>
<b>Operating Expenses:</b>		
Advertising	10,120	11,500
Automobile	124,048	126,350
Bad debt	26,591	4,050
Depreciation	2,388	28,140
Insurance	37,070	35,023
Office and miscellaneous	24,777	61,935
Professional fees	139,941	135,826
Rent	70,747	58,982
Repairs and maintenance	7,963	11,667
Taxes and licenses	1,050	1,400
Utilities	8,487	8,930
Total operating expenses	<u>453,182</u>	<u>483,803</u>
<b>Net Income</b>	588,749	743,987
<b>Accumulated Deficit, Beginning of Year</b>	(340,383)	(470,370)
Stockholder distributions	<u>-</u>	<u>(614,000)</u>
<b>Retained Earnings (Accumulated Deficit), End of Year</b>	<u>\$ 248,366</u>	<u>\$ (340,383)</u>

*See accompanying notes to the financial statements.*

**SIT MEANS SIT FRANCHISE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 588,749	\$ 743,987
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt	26,591	4,050
Depreciation	2,388	28,140
Amortization of intangible lease asset	43,422	(119,409)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	38,444	49,798
Due from related party	(889,818)	-
Prepaid expenses	(3,675)	2,065
Deposits	-	(1,959)
Increase (decrease) in:		
Accounts payable	(1,788)	1,232
Deferred franchise fees	(107,619)	191,195
Lease obligations	(41,260)	123,487
Due to related party	(63,547)	(16,966)
Net cash provided by (used in) operating activities	<u>(408,113)</u>	<u>1,005,620</u>
<b>Cash Flows From Financing Activities:</b>		
Stockholder distributions	<u>-</u>	<u>(614,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(614,000)</u>
<b>Net Change in Cash</b>	(408,113)	391,620
<b>Cash, Beginning of Year</b>	<u>662,238</u>	<u>270,618</u>
<b>Cash, End of Year</b>	<u>\$ 254,125</u>	<u>\$ 662,238</u>

*See accompanying notes to the financial statements.*



**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – NATURE OF THE BUSINESS**

The Company was incorporated in the state of Nevada on January 20, 2009 and operates master franchise licenses for the Sit Means Sit brand and other franchise concepts throughout North America. The Sit Means Sit concept involves training techniques for pets, primarily dogs, to improve behavior and obedience.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Sit Means Sit Franchise, Inc. (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for doubtful accounts is considered to be a significant estimate

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable**

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable are reported net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable (Continued)**

As of December 31, accounts receivable consisted of the following balances:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 57,328	\$ 108,272	\$ 162,120
Allowance for doubtful accounts	(14,091)	-	-
	<u>\$ 43,237</u>	<u>\$ 108,272</u>	<u>\$ 162,120</u>

**Property and Equipment**

The Company capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$5,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

**Revenue Recognition**

Franchisees are required to pay an initial franchise fee upon execution of a franchise agreement. Services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred franchise fees	\$ 947,162	\$ 1,054,781	\$ 863,586
Less: current maturities	(149,535)	(145,785)	(112,985)
	<u>\$ 797,627</u>	<u>\$ 908,996</u>	<u>\$ 750,601</u>

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2024	\$ 149,535
2025	149,535
2026	149,535
2027	149,535
2028	128,535
Thereafter	220,487
	<u>\$ 947,162</u>

As of December 31, revenue sources were as follows:

	<u>2023</u>	<u>2022</u>
Initial franchise fees	\$ 170,119	\$ 136,805
Royalties and other	1,066,888	1,232,408
	<u>\$ 1,237,007</u>	<u>\$ 1,369,213</u>

As of December 31, the timing and recognition of revenue was as follows:

	<u>2023</u>	<u>2022</u>
Services transferred at a point in time	\$ 1,066,888	\$ 1,232,408
Services transferred over time	170,119	136,805
	<u>\$ 1,237,007</u>	<u>\$ 1,369,213</u>

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

**Advertising**

The Company expenses advertising costs as incurred. Advertising for the years ended December 31, 2023 and 2022 was \$10,120 and \$11,500, respectively.

**Income Taxes**

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S-Corporation. The stockholders of an S-Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income tax has been included in the accompanying financial statements.

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2023, there were no uncertain tax positions.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2020.

**Reclassification**

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. The accumulated deficit was unchanged due to these reclassifications.

**Recent Accounting Pronouncement**

In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial instruments. Under the new standard, the existing incurred loss model was replaced with a current expected credit loss (CECL) model for most receivables and various other financial instruments. Receivable assets under the standard are presented at the net amount expected to be collected through an allowance for credit losses. Expanded disclosures are also required. This ASU is effective for the Company for the year ended December 31, 2023. Management of the Company doesn't believe this guidance has a material impact to the Company's financial statements.

**NOTE 2 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 10,882	\$ 10,882
Furniture and fixtures	3,134	3,134
Improvements	24,940	24,940
Vehicle	128,760	128,760
	<u>167,716</u>	<u>167,716</u>
Less: accumulated depreciation	<u>(160,249)</u>	<u>(157,861)</u>
	<u>\$ 7,467</u>	<u>\$ 9,855</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$2,388 and \$28,140, respectively.

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 3 – OPERATING LEASE**

The Company is obligated under a non-cancelable operating lease for its office facilities that expires in October 2025. The lease includes escalating payments ranging from \$3,500 to \$3,859 and has a remaining weighted average lease term of three years. Total rent expense for the operating lease for the years ended December 31, 2023 and 2022, is \$44,510 and \$29,167, respectively, which includes variable lease payments of \$1,750 and \$640, respectively, for common area maintenance, and is included on the accompanying statements of income and retained earnings (accumulated deficit) under the caption “rent”.

As of December, 31, future minimum payments under non-cancelable leases are as follows:

2024	\$	44,468
2025		<u>38,590</u>
Less: interest		<u>(831)</u>
Present value of lease liabilities	\$	<u><u>82,227</u></u>

**NOTE 4 – RELATED PARTIES**

From time to time the Company engages in transactions with Sit Means Sit, Inc. (SMSI) and Meow, LLC, entities related through common ownership.

During the years ended December 31, 2023 and 2022, the Company had shared expenses with SMSI for legal, seminar, and advertising fees paid by the Company in the amount of \$246,635 and \$80,513, respectively.

During the years ended December 31, 2023 and 2022, the Company paid lease payments for shared office space on behalf of SMSI in the amount of \$0 and \$20,560, respectively. During the years ended December 31, 2023 and 2022, it paid lease payments for shared office space on behalf of Meow, LLC in the amount of \$47,775 and \$7,175, respectively (See NOTE 3). These amounts are included on the accompanying statements of income and accumulated deficit under the caption “rent”.

During the years ended December 31, 2023 and 2022, the Company leased training space from one of its stockholders on a month to month basis in the amount of \$24,486 and \$27,098, respectively. These amounts are included on the accompanying statements of income and accumulated deficit under the caption “rent”.

As of December 31, 2023 and 2022, the outstanding balance receivable from SMSI was \$889,818 and \$0, respectively. As of December 31, 2023 and 2022, the outstanding balance payable to SMSI was \$0 and \$63,547, respectively. These balances are due on demand and bear no interest. There were no amounts receivable from or payable to any of the Company’s stockholders as of December 31, 2023 or 2022.

**NOTE 5 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 9, 2024, the date which the financial statements were available to be issued.

**SIT MEANS SIT FRANCHISE, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**SIT MEANS SIT FRANCHISE, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Table of Contents**

<b>Independent Auditor’s Report</b> .....	1-2
<b>Financial Statements:</b>	
Balance Sheets.....	3
Statements of Income and Accumulated Deficit .....	4
Statements of Cash Flows .....	5
<b>Notes to the Financial Statements</b> .....	6-11

***Independent Auditor's Report***

To the Stockholders and Management of  
Sit Means Sit Franchise, Inc.

*Opinion*

We have audited the accompanying financial statements of Sit Means Sit Franchise, Inc. (a Nevada S Corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

*Basis for Opinion*

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

*Responsibilities of Management for the Financial Statements*

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

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

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

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sit Means Sit Franchise, Inc.'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 Sit Means Sit Franchise, Inc.'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.

*Velez & Hardy*

July 10, 2023  
Las Vegas, Nevada

**SIT MEANS SIT FRANCHISE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 662,238	\$ 270,618
Accounts receivable, net	108,272	162,120
Prepaid expenses	-	2,065
Total current assets	<u>770,510</u>	<u>434,803</u>
<b>Property and Equipment, net</b>	9,855	37,995
<b>Other Assets:</b>		
Intangible lease assets, net	119,409	-
Deposits	1,959	-
	<u>121,368</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 901,733</u></u>	<u><u>\$ 472,798</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,223	\$ 991
Lease obligations, current	41,261	-
Current maturities of deferred franchise fees	145,785	112,985
Due to related party	63,547	80,513
Total current liabilities	<u>252,816</u>	<u>194,489</u>
<b>Long-Term Liabilities:</b>		
Lease obligations, net of current	82,226	-
Deferred franchise fees, net of current	908,996	750,601
Total long-term liabilities	<u>991,222</u>	<u>750,601</u>
<b>Total Liabilities</b>	<u>1,244,038</u>	<u>945,090</u>
<b>Stockholders' Deficit:</b>		
Common stock, \$.001 par value; 100,000 shares authorized, 100,000 shares issued; 67,000 shares outstanding	100	100
Additional paid-in capital	87,978	87,978
Treasury stock	(90,000)	(90,000)
Accumulated deficit	(340,383)	(470,370)
<b>Total Stockholders' Deficit</b>	<u>(342,305)</u>	<u>(472,292)</u>
<b>Total Liabilities and Stockholders' Deficit</b>	<u><u>\$ 901,733</u></u>	<u><u>\$ 472,798</u></u>

*See accompanying notes to the financial statements.*

**SIT MEANS SIT FRANCHISE, INC.**  
**STATEMENTS OF INCOME AND ACCUMULATED DEFICIT**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Revenue</b>	\$ 1,369,213	\$ 1,046,206
<b>Cost of Revenue</b>	<u>141,423</u>	<u>91,612</u>
<b>Gross Profit</b>	<u>1,227,790</u>	<u>954,594</u>
<b>Operating Expenses:</b>		
Automobile	126,350	127,526
Bad debt	4,050	23,150
Depreciation	28,140	28,140
Education and training	10,768	-
Insurance	35,023	23,785
Office expense and miscellaneous	62,667	72,643
Professional fees	135,826	94,382
Rent	58,982	49,270
Repairs and maintenance	11,667	10,696
Taxes and licenses	1,400	4,175
Utilities	<u>8,930</u>	<u>6,838</u>
Total operating expenses	<u>483,803</u>	<u>440,605</u>
<b>Operating Income</b>	743,987	513,989
<b>Other Income (Expense):</b>		
Interest expense	-	(1,660)
Total other income (expense)	<u>-</u>	<u>(1,660)</u>
<b>Net Income</b>	743,987	512,329
<b>Accumulated Deficit, Beginning or Year</b>	(470,370)	(132,699)
Stockholder distributions	<u>(614,000)</u>	<u>(850,000)</u>
<b>Accumulated Deficit, End of Year</b>	<u>\$ (340,383)</u>	<u>\$ (470,370)</u>

*See accompanying notes to the financial statements.*

**SIT MEANS SIT FRANCHISE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 743,987	\$ 512,329
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt	4,050	23,150
Depreciation	28,140	28,140
Amortization of intangible lease asset	(119,409)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	49,798	3,635
Prepaid expenses	2,065	(2,065)
Deposits	(1,959)	-
Increase (decrease) in:		
Accounts payable	1,232	(6,375)
Deferred franchise fees	191,195	180,221
Lease obligations	123,487	-
Due to related party	(16,966)	80,513
Net cash provided by operating activities	<u>1,005,620</u>	<u>819,548</u>
<b>Cash Flows From Financing Activities:</b>		
Principal debt payments	-	(51,229)
Stockholder distributions	(614,000)	(850,000)
Additional paid-in capital	-	38,078
Net cash used in financing activities	<u>(614,000)</u>	<u>(863,151)</u>
<b>Net Change in Cash</b>	391,620	(43,603)
<b>Cash, Beginning of Year</b>	<u>270,618</u>	<u>314,221</u>
<b>Cash, End of Year</b>	<u>\$ 662,238</u>	<u>\$ 270,618</u>
<b><u>Supplemental disclosure for cash flow information:</u></b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 1,660</u>

*See accompanying notes to the financial statements.*

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Sit Means Sit Franchise, Inc. (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of the Business**

The Company was incorporated in the state of Nevada on January 20, 2009 and operates master franchise licenses for the Sit Means Sit brand and other franchise concepts throughout North America. The Sit Means Sit concept involves training techniques for pets, primarily dogs, to improve behavior and obedience.

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

**Use of Estimates in Preparation of Financial Statements**

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

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable**

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable are reported net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable (Continued)**

As of December 31, accounts receivable consisted of the following balances:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 108,272	\$ 162,120	\$ 199,379
Allowance for doubtful accounts	-	-	-
	<u>\$ 108,272</u>	<u>\$ 162,120</u>	<u>\$ 199,379</u>

**Property and Equipment**

The Company capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$5,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

**Revenue Recognition**

Franchisees are required to pay an initial franchise fee upon execution of a franchise agreement. Services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	<u>2022</u>	<u>2021</u>
Deferred franchise fees	\$ 1,054,781	\$ 863,586
Less: current maturities	<u>(145,785)</u>	<u>(112,985)</u>
	<u>\$ 908,996</u>	<u>\$ 750,601</u>

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENT – CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2023	\$ 145,785
2024	145,785
2025	145,785
2026	145,785
2027	145,785
Thereafter	<u>325,856</u>
	<u>\$ 1,054,781</u>

**Advertising**

The Company expenses advertising costs as incurred. The Company did not incur significant advertising costs for the years ended December 31, 2022 and 2021.

**Income Taxes**

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S-Corporation. The stockholders of an S-Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income tax has been included in the accompanying financial statements.

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2022, there were no uncertain tax positions.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2019.

**Operating Leases and Adoption of Recent Accounting Pronouncement**

Prior to the adoption of ASC 842, *Leases*, in January 2022, the Company recognized fixed minimum rent expense on non-cancelable leases on a straight-line basis over the term of each individual lease.

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENT – CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Leases and Adoption of Recent Accounting Pronouncement (Continued)**

In January 2022, the Company adopted ASC 842 which includes accounting for the intangible lease asset and associated lease obligation based on the net present value of future lease payments. This standard was implemented using the effective date method under the modified retrospective approach. The Company's intangible lease asset and associated lease obligation have been included on the accompanying balance sheets. The Company has implemented the risk-free rate practical expedient in determining the discount rate applied in determining the lease asset and associated lease obligation. The Company has also elected to exclude short-term leases with terms less than twelve months or those with low asset values as a practical expedient.

**NOTE 2 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

	2022	2021
Equipment	\$ 10,882	\$ 10,882
Furniture and fixtures	3,134	3,134
Improvements	24,940	24,940
Vehicle	128,760	128,760
	167,716	167,716
Less: accumulated depreciation	(157,861)	(129,721)
	\$ 9,855	\$ 37,995

Depreciation expense for the years ended December 31, 2022 and 2021 was \$28,140 and \$28,140, respectively.

**NOTE 3 – REVENUE RECOGNITION**

As of December 31, revenue sources were as follows:

	2022	2021
Initial franchise fees	\$ 136,805	\$ 117,279
Royalties and other	1,232,408	928,927
	\$ 1,369,213	\$ 1,046,206



**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENT – CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 3 – REVENUE RECOGNITION (CONTINUED)**

As of December 31, the timing and recognition of revenue was as follows:

	<u>2022</u>	<u>2021</u>
Services transferred at a point in time	\$ 1,232,408	\$ 928,927
Services transferred over time	<u>136,805</u>	<u>117,279</u>
	<u>\$ 1,369,213</u>	<u>\$ 1,046,206</u>

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company’s revenue is derived from sources within the United States.

**NOTE 4 – OPERATING LEASE**

The Company is obligated under a non-cancelable operating lease for its office facilities that expires in October 2025. The lease includes escalating payments ranging from \$3,500 to \$3,859 and has a remaining weighted average lease term of three years. Total rent expense for the operating lease for the years ended December 31, 2022 and 2021, is \$29,167 and \$0, respectively, which includes variable lease payments of \$640 and \$0, respectively, for common area maintenance, and is included on the accompanying statements of income and accumulated deficit under the caption “rent”.

As of December, 31, future minimum payments under non-cancelable leases are as follows:

2023	\$ 42,350
2024	44,468
2025	<u>38,590</u>
Less: interest	<u>(1,921)</u>
Present value of lease liabilities	<u>\$ 123,487</u>

**NOTE 5 – RELATED PARTIES**

From time to time the Company engages in transactions with Sit Means Sit, Inc. (SMSI) and Meow, LLC, entities related through common ownership.

During the years ended December 31, 2022 and 2021, the Related party paid legal fees on behalf of the Company in the amount of \$80,513 and \$0, respectively. These amounts are included on the accompanying statements of income and accumulated deficit under the caption “professional fees”.

During the years ended December 31, 2022 and 2021, the Company paid lease payments for shared office space on behalf of SMSI in the amount of \$20,650 and \$24,740, respectively. During the years ended December 31, 2022 and 2021, it paid lease payments for shared office space on behalf of Meow, LLC in the amount of \$7,175 and \$0, respectively (See NOTE 4). These amounts are included on the accompanying statements of income and accumulated deficit under the caption “rent”.

**SIT MEANS SIT FRANCHISE, INC.**  
**NOTES TO THE FINANCIAL STATEMENT – CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 5 – RELATED PARTIES (CONTINUED)**

During the years ended December 31, 2022 and 2021, the Company leased training space from one of its stockholders on a month to month basis in the amount of \$27,078 and \$24,490, respectively. These amounts are included on the accompanying statements of income and accumulated deficit under the caption “rent”.

As of December 31, 2021 and 2020, the outstanding balance payable to the Related party was \$63,547 and \$80,513, respectively. This balance is due on demand and bears no interest.

**NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 10, 2023, the date which the financial statements were available to be issued.

**Exhibit H**

**State Administrators  
And  
Agents for Service of Process**

**STATE REGULATORY AGENCIES  
AND ADMINISTRATORS**

1. California:  
  
Commissioner of Financial Protection and Innovation  
2101 Arena Boulevard  
Sacramento, CA 95834  
Telephone: (866) 275-2677
  
2. Hawaii:  
  
Department of Commerce & Consumer Affairs  
P.O. Box 40  
Honolulu, Hawaii 96810  
Telephone: (808) 586-2722
  
3. Illinois:  
  
Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
Telephone: (217) 782-4465
  
4. Indiana:  
  
Securities Commissioner  
Securities Division  
302 West Washington Street, Room E111  
Indianapolis, Indiana 46204  
Telephone: (317) 232-6681
  
5. Maryland:  
  
Maryland Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202  
Telephone: (410) 576-6360
  
6. Michigan:  
  
Consumer Protection Division  
Antitrust and Franchise Unit  
600 Law Building  
Lansing, Michigan 48913  
Telephone: (517) 373-7117

7. Minnesota:  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101  
Telephone: (651) 539-1500
8. New York:  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21st Fl  
New York, NY 10005  
(212) 416-8222 Phone
9. North Dakota:  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, 5<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
Telephone: (701) 328-4712
10. Rhode Island:  
State of Rhode Island and Providence Plantations  
Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 69-1  
Cranston, Rhode Island 02920
11. South Dakota:  
Department of Labor and Regulation  
Division of Securities  
124 South Euclid Suite 104  
Pierre, SD 57501
12. Virginia:  
State Corporation Commission  
Division of Securities and Retail Franchising  
1300 E. Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
Telephone: (804) 371-9051
13. Washington:  
Administrator  
Securities Division  
PO Box 41200  
Olympia, WA 98504-1200  
(360) 902-8760

14. Wisconsin:

Department of Financial Institutions  
Division of Securities, 4<sup>th</sup> Floor  
345 W. Washington Avenue  
Madison, Wisconsin 53703  
Telephone: (608) 266-3431

**SIT MEANS SIT FRANCHISE, INC.  
AGENTS FOR SERVICE OF PROCESS**

1. California:

Commissioner of Department of Financial Protection and Innovation  
2101 Arena Boulevard  
Sacramento, CA 95834

2. Hawaii:

Hawaii Commissioner of Securities  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

3. Illinois:

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

4. Indiana:

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
Telephone: (317) 232-6531

5. Maryland:

Securities Commissioner  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

6. Michigan:

Michigan Department of Commerce  
Corporation and Securities Bureau  
P.O. Box 3022  
6546 Mercantile Way  
Lansing, Michigan 48823

7. Minnesota:

Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101-2198

8. New York:

Secretary of State  
99 Washington Avenue  
Albany, NY 12231-0001

9. North Dakota:

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, 5th Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
Telephone: (701) 328-4712

10. Rhode Island:

State of Rhode Island and Providence Plantations  
Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 69-1  
Cranston, Rhode Island 02920

11. South Dakota:

Department of Labor and Regulation  
Division of Securities  
124 S. Euclid, Suite 104  
Pierre, SD 57501

12. Virginia:

Clerk of the State Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219

13. Washington:

Securities Administrator  
150 Israel Rd SW  
Tumwater, WA 98501

14. Wisconsin:

Commissioner of Securities  
101 East Wilson Street, 4<sup>th</sup> Floor  
Madison, Wisconsin 53702



**Exhibit I**

**Table of Contents of Brand Standards Manual**

## Table of Contents

Chapter One - Welcome to Sit Means Sit Dog Training.....	3
Chapter Two - Starting Your Sit Means Sit Dog Training Business.....	4
Chapter Three - SMS Business Starter Operations List.....	7
Chapter Four - Language of the Sit Means Sit System.....	11
Chapter Five - Training Programs.....	13
Introduction.....	13
Chapter Six - the Group Class.....	22
Chapter Seven - Group Class Drills .....	24
Chapter Eight - the Sit Means Sit Demo Dog.....	26
Chapter Nine - Housebreaking.....	29
Chapter Ten - Training in the Moment.....	31
Chapter Eleven – Aggressive dog handling & training plans .....	34
Chapter Twelve - Submissive dog Handling & Training Plans.....	41
Chapter Thirteen - Boundary Training.....	45
Chapter Fourteen - Puppies.....	47
Chapter Fifteen - Phone Etiquette.....	51
Chapter Sixteen - The Sit Means Sit demonstration.....	52
Chapter Seventeen - How to stop a dog fight.....	56
Chapter Eighteen - The Do's and Don'ts when you've been bitten by a dog.....	60
Chapter Nineteen - Bark Collar.....	66
Chapter Twenty -Children and dogs.....	72
Chapter Twenty One - the trained Retrieve.....	74
Chapter Twenty Two - Sit Means Sit Marketing.....	76
Chapter Twenty Three - Sit Means Sit internet Marketing.....	78
Chapter Twenty Four - Sit Means Sit EPR.....	85
Chapter Twenty Five - Sit Means Sit Video Criteria.....	89
Chapter Twenty Six - Expanding your Sit Means Sit Business.....	93
Chapter Twenty Seven - Facilities and Facility safety .....	96
Chapter Twenty Eight - Closing Words from Fred & Alfredo.....	99

**Exhibit J**

**State-Specific Addendum to the Franchise Disclosure Document, Franchise Agreement, Compliance Questionnaire, and Related Agreements**

**SIT MEANS SIT FRANCHISE, INC.**

**MULTI-STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, COMPLIANCE QUESTIONNAIRE, AND RELATED AGREEMENTS**

The following modifications are made to the Sit Means Sit Franchise, Inc. (“Sit Means Sit,” “us,” “we,” or “our”) Franchise Disclosure Document (“FDD”) given to Franchisee (“Franchisee,” “you,” or “your”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_.

Depending on the law in your state, the provisions of this State-Specific Addendum (“**State Addendum**”) may apply to modify the Franchise Disclosure Document that was given to you, as well as the Franchise Agreement, and any applicable Addenda, Exhibits, Appendices, or mutually-agreed modifications thereto. For purposes of the State Addendum, the “**Sit Means Sit’s Choice of Law State**” is Nevada and “**Supplemental Documents**” mean: (1) the Compliance Questionnaire (Addendum D to the Franchise Agreement); (2) the Franchise Deposit Acknowledgment (Addendum E to the Franchise Agreement); and (3) the Trade Area Reservation Agreement (Exhibit K). In the event of any inconsistency between the provisions of the Franchise Agreement, FDD, or Supplemental Documents and this Addendum, the terms of this State Addendum shall control.

**CALIFORNIA**

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.

Neither Sit Means Sit nor any other person listed in Item 2 of the Franchise 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. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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 Supplemental Documents contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Supplemental Documents may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

**YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31505). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).**

California Corporations Code section 31125 requires the Sit Means Sit to give the Franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Neither Sit Means Sit, nor any person 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. 78(a) et seq., suspending or expelling these persons from membership in this association or exchange.

The Franchise Agreement contains, and if applicable, the Supplemental Documents may contain, a covenant not to compete provision which extends beyond the termination of the franchise. Such provisions may not be enforceable under California law.

Under California civil code section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Documents may not be enforceable.

The Franchise Agreement contains, and if applicable, the Supplemental Documents may contain, provisions requiring binding arbitration. The arbitration will occur at Sit Means Sit's Choice of Law State. 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 or Supplemental Documents restricting venue to a form outside the State Of California.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The General Release contained in the Supplemental Documents is hereby modified as follows:

With respect to those claims being released pursuant to this Release, Franchisee, for itself and themselves, and on behalf of each of the constituents identified in this Release, acknowledge that it is releasing unknown claims and waives all rights it has or may have under California Civil Code Section 1542 or any other statute or common law principle of similar effect. Franchisee acknowledges that this general release extends to claims which Franchisee does not know or suspect to exist in favor of Franchisee at the time of executing this Release Agreement, which if known by Franchisee may have materially affected its or their decision to enter into this Release. It is understood by Franchisee that the facts in respect of which this Release is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. Franchisee, therefore, expressly assumes the risk of the facts turning out to be so different and agrees that this Release shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

Franchisee, for itself and themselves, and on behalf of its Constituents, acknowledge that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Franchise Agreement requires mediation. The mediation will occur at Las Vegas, Nevada. The fees and expenses of the mediator will be shared equally by the parties.

Our website has 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 [dfpi.ca.gov](http://dfpi.ca.gov).

For the purposes of Cal. Bus. & Prof. Code Section 20022, the parties agree as follows:

The parties agree that they will use the declining-balance depreciation method to calculate the value of your inventory, supplies, equipment, fixtures, and furnishings (the “Assets”) for the purposes of a purchase by Sit Means Sit under Section 20022. The purchase price by Sit Means Sit for the Assets will not include the cost of removal and transportation of those assets, which will be your responsibility.

The parties agree that for the purposes of Section 20022, Franchisee is not able to provide to Sit Means Sit “clear title and possession” to your Assets if those Assets are subject to liens or encumbrances including: a) purchase money security interest; b) blanket security interest; c) right of first refusal; d) lien by franchisee’s landlord; or e) tax lien.

The parties agree that for the purposes of Section 20022(h), Sit Means Sit’s right of offset will include the following amounts owed by Franchisee to Sit Means Sit or its Affiliates: a) Royalty Fees; b) Liquidated Damages; c) Transfer Fees; d) fees owed for the purchase of products; and e) any other type of fee owed by Franchisee to Sit Means Sit or its Affiliates.

For the purposes of Cal. Bus. & Prof. Code Section 20035, the parties agree as follows:

“Fair market value of the franchise assets” means the value of your Assets, valued according to the declining-balance method of depreciation. The purchase price by Sit Means Sit for the Assets will not include the cost of removal and transportation of those assets, which will be your responsibility.

“Fair market value of the franchised business” means the “fair market value of the franchise assets” as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by Franchisee to Sit Means Sit within the 12-month period immediately before Sit Means Sit’s termination or failure to renew Franchisee in violation of the California Franchise Relations Act.

Item 5 of the Franchise Disclosure Document and Section 5.1 of the Franchise Agreement are amended as follows: the Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.”

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.

## CONNECTICUT

The following statement is added to the cover page of the Franchise Disclosure Document:

**The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.**

The following statement is added to Item 3 of the Franchise Disclosure Document:

There are no pending or completed actions against us relating to Securities Laws; Business Opportunity Laws; Actions Brought by Present or Former Purchaser-Investors Involving Franchise; or Business Opportunity Relationships that are required to be disclosed in this Disclosure Document.

The FDD and Franchise Agreement are hereby modified to state that, if we require you to purchase products, equipment or supplies from us but fail to provide those products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within 45 days of the required opening date stated in your contract, you may notify us in writing and demand that the contract be canceled.

## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

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.

## **ILLINOIS**

Item 5 of the Franchise Disclosure Document, and Section 5.1 of the Franchise Agreement, are hereby amended to state that the Initial Fee will be due and payable when we have completed our initial obligations to you and your Franchised Business has begun operating. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State is void, provided that a franchise agreement may provide for arbitration in a forum outside of this State.

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

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Illinois law governs the franchise agreement(s).

FRANCHISOR RESERVES THE RIGHT TO SOLICIT, SELL, AND SERVICE "NATIONAL ACCOUNTS" WITHIN YOUR TRADE AREA / TERRITORY.

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.

## **INDIANA**

Item 17 of the Franchise Disclosure Document is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the Franchise Disclosure Document is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.



The “Summary” column in ITEM 17.r. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

No competing business for two (2) years within the Protected Territory.

The “Summary” column in ITEM 17.t. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in ITEM 17.v. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in the Sit Means Sit’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Sit Means Sit and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Sit Means Sit and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in ITEM 17.w. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Sit Means Sit’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the Franchise Disclosure Document, the Franchise Agreement, or the law of Sit Means Sit’s Choice of Law State, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the

Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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.

**FOR THE STATE OF IOWA**

Any provision in the Franchise Agreement, Supplemental Documents, or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled. If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Alfredo Rivera at 6295 McLeod Drive #2, Las Vegas, Nevada 89120, (702) 877-4581, or send him an email at [alfredositmeanssit@gmail.com](mailto:alfredositmeanssit@gmail.com), not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

**MARYLAND**

The Franchise Disclosure Document, Franchise Agreement, Trade Area Reservation Agreement, and Supplemental Documents are amended as stated below. "Supplemental Documents" means: the Franchise Deposit Acknowledgment; the Compliance Questionnaire, and, if applicable, the Trade Area Reservation Agreement (Exhibit K).

Item 5 of the Franchise Disclosure Document, the Franchise Agreement, the Franchise Deposit Acknowledgment, and the Trade Area Reservation Agreement are each amended to add the following language: "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 due under the trade reservation agreement shall be deferred until the first franchise under the trade reservation opens."

Item 17 of the Franchise Disclosure Document and sections of the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, will not apply to liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document and sections of the Franchise Agreement and Trade Area Reservation Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 *et seq.*).

The Franchise Agreement, Trade Area Reservation Agreement, Franchise Deposit Acknowledgment, and the Compliance Questionnaire are amended to state: "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."

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.

**FRANCHISOR:**

**FRANCHISEE:**

**SIT MEANS SIT FRANCHISE, INC.**

\_\_\_\_\_

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

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

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

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

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

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

## MICHIGAN

### **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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 5 years and (ii) you are 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 you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a franchise for the

market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

**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  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

### **MINNESOTA**

Despite anything to the contrary in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Minnesota:

1. Any provision in the Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J. prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any Agreement relating to franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Agreement relating to arbitration.
4. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under this Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any

third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.

6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the Franchise Disclosure Document and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your franchise, are hereby deleted from the Franchise and Area Development Agreement, to the extent required by Minnesota law.

7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.

8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

9. Insufficient funds (NSF) checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges. Item 6 of the FDD and Section 5.10 of the Agreement are amended accordingly.

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.

## NEW YORK

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 THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 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 FORTH 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 the "Summary" sections of Item 17(c), titled "**Requirements for**

**franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts – Any sale must be made in compliance with §638(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. §680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST SIT MEANS SIT FRANCHISE, INC.

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

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

Franchisee:

Witness: \_\_\_\_\_

\_\_\_\_\_



## **NORTH DAKOTA**

Item 17(c) of the Franchise Disclosure Document, Section 3.4.5 of the Franchise Agreement, and Exhibit B are deleted to the extent that they require you to sign a general release as a condition of renewal of the Franchise Agreement.

Item 17(i) of the Franchise Disclosure Document and Section 16.2 of the Franchise Agreement are deleted to the extent that they require you to consent to liquidated damages in the event the Franchise Agreement is terminated prior to its expiration.

Item 17(r) of the Franchise Disclosure Document, Section 13.1 of the Franchise Agreement, and Exhibit D-1 disclose the existence of certain covenants restricting competition to which you must agree. Such covenants may be subject to Section 9-08-06 of the North Dakota Century Code. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

Item 17(u) of the Franchise Disclosure Document and Section 20 of the Franchise Agreement state that you must agree to the arbitration or mediation of disputes in Las Vegas, Nevada. These provisions are amended to state that the site of arbitration or mediation must be agreeable to all parties and may not be remote from your place of business.

Item 17(v) of the Franchise Disclosure Document and Section 20.3 of the Franchise Agreement state that you must consent to the jurisdiction of courts in Las Vegas, Nevada. Section 20.3 is deleted in its entirety, and Item 17(v) of the Franchise Disclosure Document is amended accordingly.

Item 17(w) of the Franchise Disclosure Document and Section 21.6 of the Franchise Agreement state that the Franchise Agreement must be construed according to the laws of the state of Nevada. Section 21.6 is deleted in its entirety.

Section 20.4 of the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. Section 20.4 is deleted in its entirety.

Section 20.6 of the Franchise Agreement requires you to consent to a waiver of exemplary and punitive damages. Section 20.6 is deleted in its entirety.

Section 20.3 of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. The provision is amended to read the statute of limitations under North Dakota Law will apply.

Item 5 of the Franchise Disclosure Document, the Franchise Agreement, the Franchise Deposit Acknowledgment, and the Trade Area Reservation Agreement are each amended to add the following language: "Based upon the franchisor's financial condition, North Dakota 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 due under the trade reservation agreement shall be deferred until the first franchise under the trade reservation opens."

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.

**FOR THE STATE OF OHIO:**

The following language will be added to the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

\_\_\_\_\_ **FRANCHISEE: INITIAL HERE**

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**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Alfredo Rivera at 6295 McLeod Drive #2, Las Vegas, Nevada 89120, (702) 877-4581, or send him an email at [alfredositmeanssit@gmail.com](mailto:alfredositmeanssit@gmail.com), not later than midnight of the fifth business day after the day you sign the Agreement.

I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

**RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Franchise Disclosure

Document, the Franchise Agreement, and the Supplemental Documents are amended accordingly to the extent required by law.

The above language has been included in this Franchise Disclosure Document as a condition to registration. The Sit Means Sit and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Documents, including all choice of law provisions, are fully enforceable. The Sit Means Sit and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Documents, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

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

### **VIRGINIA**

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 Sit Means Sit 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 or Supplemental Documents involve the use of undue influence by the Sit Means Sit to induce a franchisee to surrender any rights given to Franchisee under the franchise, that provision may not be enforceable.”

“Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

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

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

## WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In accordance with RCW 19.100.010(7), WAC 460-82, and Franchise Act Policy Statement 6, franchisees who receive financial incentives to refer franchise prospects to franchisors may be required to register as franchise brokers under the laws of Washington State.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

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

any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

**FRANCHISOR:**

**FRANCHISEE:**

**SIT MEANS SIT FRANCHISE, INC.**

\_\_\_\_\_

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

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

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

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

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Documents are amended accordingly.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

**FRANCHISOR:**

**FRANCHISEE:**

**SIT MEANS SIT FRANCHISE, INC.**

\_\_\_\_\_

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

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

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

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

**Exhibit K**  
**Trade Area Reservation Agreement**

**TRADE AREA RESERVATION AGREEMENT**

This Trade Area Reservation Agreement (“**Agreement**”) is made between between **Sit Means Sit Franchise, Inc.** (“**us**”) and \_\_\_\_\_ (“**you**”) is made and entered into \_\_\_\_\_.

1. **General Description of Agreement.** This Agreement sets out the terms and the conditions under which we will hold a Trade Area open for you, and under which you will be eligible to apply for the right to establish in the Trade Area a Sit Means Sit® franchise (each, a “**Business**”).

a. If we approve you to establish a new Business or Businesses as described below, then you and we will enter into a Franchise Agreement for that Business, the form of which will be our then-current form Franchise Agreement then being offered to new Sit Means Sit® franchisees in the U.S. (this form of Franchise Agreement is referred to in this Agreement as the “**Franchise Agreement**”).

b. You must pay all then-current fees due under each Franchise Agreement including, without limitation, the royalty fees and advertising fees.

c. Notwithstanding the foregoing, you and we agree that the initial franchise fee you owe us for each Trade Area is our current initial franchise fee in place at the time you and we sign this agreement, minus any applicable credit that we give to you. The amount of our current initial franchise fee depends on the number of Businesses you already own and operate with us, and is described in Item 5 of our Franchise Disclosure Document (a copy of which you received before executing this Agreement).

d. You acknowledge and represent to us that you understand that this Agreement is not a Franchise Agreement, and that you have no right to open a Business under this Agreement. You will be permitted to open a Business or Businesses only if: (a) we approve you to do so; (b) you and we sign a Franchise Agreement or Franchise Agreements; and (c) you pay us all applicable initial fees that are due under the Franchise Agreement or Franchise Agreements.

2. **Trade Area(s); Commencement Deadline.** The area or areas covered under this Agreement is/are referred to as the “**Trade Area**” or “**Trade Areas**.” The specific Trade Areas are attached as **Exhibit A**. You must begin operating your Business for each Trade Area no later than one (1) year from the Effective Date (the “**Commencement Deadline**”). You are not required under this Agreement to develop any Businesses before the Commencement Deadline, but if you do not meet the Commencement Deadline for any reason (and you do not extend the Commencement Deadline as described in Section 6 below), then this Agreement (including but not limited to the provisions of Section 5 below) will terminate, as described below.

Trade Area Number	Trade Area Description

3. **Trade Area Reservation Deposit.** At the time of signing this Agreement, you must pay us a non-refundable Trade Area Reservation Deposit of five thousand dollars (\$5,000) for each Trade Area that you reserve. This amount is fully-earned by us when we sign this Agreement. This Trade Area Reservation Deposit will be applied towards the initial franchise fee that you must pay us under each Franchise Agreement.

4. **Term.** The term of this Agreement starts on the date when we sign it below (the “**Effective Date**”) and ends on the day after the Commencement Deadline (the “**Term**”), unless this Agreement is sooner terminated.



5. **Our Promise Concerning the Trade Area.** During the Term, so long as you satisfy the Commencement Deadline, we will not conduct, or license others the right to conduct, dog training classes under the Sit Means Sit® trademarks (the “Marks”) within each of the Trade Areas identified in this Agreement. You acknowledge, however, that we may, directly or indirectly, engage in any of the activities defined in Section 2.3.2 of the Franchise Agreement. Our current Franchise Agreement is attached as **Exhibit B.** We may conduct (or license to others the right to conduct) dog training classes under the Marks at locations within an area abutting the Trade Area border.

6. **Extension of Commencement Deadline.** If you have not yet begun operating a Business in an applicable Trade Area at the end of the Commencement Deadline, we will permit you to extend the Commencement Deadline for that Trade Area **once, and only once**, for a period of one (1) year.

a. To exercise this option, you must pay us fifty percent (50%) of the initial franchise fee that is due and owing for the applicable Trade Area **before the Commencement Deadline.** That amount will be credited towards the initial franchise fee you owe for that Trade Area.

b. If you have reserved multiple Trade Areas under this Agreement, you must pay the amount stated in Section 6.a for each such Trade Area for which you wish to extend the Commencement Deadline.

c. Our written acknowledgement that we have received your payment of the amount stated in Section 6.a will serve to automatically extend the Commencement Deadline for one (1) additional year, making the new Commencement Deadline two (2) years from the Effective Date.

If you fail to exercise this option to extend the Commencement Deadline by paying us the applicable fee **before** the Commencement Deadline that you want to extend, then this Agreement will automatically terminate as described in Section 4.

7. **Provisions from the Franchise Agreement that Also Apply Here.** You and we agree that the provisions of the following sections of our current form of Franchise Agreement (attached as **Exhibit B**) are incorporated by reference into this Agreement and also apply to this Agreement, except that reference to the “Franchisee” in those provisions will refer to you under this Agreement, and any reference to “Sit Means Sit” in those provisions will refer to us:

Article 13	Covenants Regarding Other Business Interests
Article 15	Default and Termination
Article 18	Relationship of Parties
Article 20	Mediation; Waiver of Jury Trial; Venue
Article 21	Miscellaneous Provisions

8. **No Transfers.** We may transfer this Agreement to anyone without your consent. You understand and acknowledge that the rights and duties contained in this Agreement are personal to you, and that we have provided to you this Trade Area Reservation Agreement in reliance on your business skill and experience, financial capacity, and personal character (or, if you are a legal entity, on that of your owners). Accordingly, you understand and agree that: (a) this Trade Area Reservation Agreement is not transferable (including but not limited to sales, assignments, pledges, or other encumbrances); and (b) if you are an entity, you also may not transfer, sell, pledge or otherwise assign (or permit the assignment of) any direct or indirect ownership in you.

9. **Defaults.** In addition to the provisions cross-referenced in Section 7 above and otherwise in this Agreement, you will be in default under this Agreement if any other agreement between you (and/or your affiliates) and us (and/or our affiliates) is terminated. If you are in default under this Agreement or if you do not

meet the Commencement Deadline, we will have the right to terminate this Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law).

10. **Entire Agreement and Amendment.** This Agreement, together with the provisions of the Franchise Agreement that are referenced in this Agreement and/or incorporated by reference in this Agreement, together, constitute the entire fully integrated agreement between you and us, and supersede all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation that we made in the Franchise Disclosure Document (including its exhibits and amendments) that we delivered to you in connection with this franchise offering. You acknowledge that, other than the information presented in our Franchise Disclosure Document, you have relied only on the words printed in this Agreement and its exhibits (as well as those referenced and/or incorporated by reference from the Franchise Agreement) in deciding whether to enter into this Agreement. Except for those changes permitted to be made unilaterally by us, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to in writing by you and us, and executed by your and our authorized officers or agents.

11. **Indemnity for Violations of this Agreement.** You agree to defend, indemnify, and hold harmless us, our affiliates, and our and their respective officers, directors, employees, and agents from and against any and all losses, damages, liabilities, costs, and expenses (including but not limited to reasonable attorney fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by you to perform an obligation under this Agreement.

12. **The Franchise Agreement.** You acknowledge that you have read the Franchise Agreement attached to this Agreement as **Exhibit B**, including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Agreement.

If you are in agreement with the terms of this letter agreement, then please sign below where indicated, and initial on the bottom of the exhibit pages as indicated, and return it to us. This Agreement will be automatically withdrawn if not signed and returned to us within thirty (30) days of the date of this letter.

“Us”

SIT MEANS SIT FRANCHISE, INC.

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

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

Its: \_\_\_\_\_

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

“You”

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

**EXHIBIT A**  
**Description of Reserved Trade Areas**

**EXHIBIT B**  
**Form of Current Franchise Agreement**

**Exhibit L**  
**State Effective Dates**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	No Filing
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	April 23, 2024
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	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.

**Exhibit M  
Receipts**

**RECEIPT**

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 Sit Means Sit Franchise, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa or New York law, if applicable, Sit Means Sit Franchise, Inc. must provide this disclosure document to you at the earlier of your 1st personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires Sit Means Sit Franchise, Inc. to 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 Sit Means Sit Franchise, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit H.

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

Fred Hassen and Alfredo Rivera, 6295 McLeod Drive #2, Las Vegas, Nevada 89120, (702) 877-4581. We insert the name and address of other franchise seller below (we attach additional pages if necessary):

\_\_\_\_\_  
See Exhibit H for our registered agents authorized to receive service of process.

I have received a disclosure document with an issuance date of July 29, 2024 (the issuance date of this FDD is not the effective date, for registration state effective dates see State Effective page at the beginning of this Disclosure Document) that included the following Exhibits:

**Exhibits**

- |                                                  |                                                           |
|--------------------------------------------------|-----------------------------------------------------------|
| A. FRANCHISE AGREEMENT                           | G. FINANCIAL STATEMENTS                                   |
| B. FORM OF GENERAL RELEASE                       | H. STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS |
| C. OWNER AGREEMENT                               | I. MANUAL TABLE OF CONTENTS                               |
| D. CONFIDENTIALITY AND NON-COMPETITION AGREEMENT | J. STATE SPECIFIC ADDENDUM                                |
| E. CONFIDENTIALITY AGREEMENT                     | K. TRADE AREA RESERVATION AGMT.                           |
| F. FRANCHISEE INFORMATION                        | L. STATE EFFECTIVE DATES                                  |
|                                                  | M. RECEIPTS                                               |

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Please sign both copies of the receipt and date your signature. Please retain one copy for your records, and return the other copy to Alfredo Rivera at 6295 McLeod Drive #2, Las Vegas, Nevada 89120, or at [alfredo@sitmeanssit.com](mailto:alfredo@sitmeanssit.com).



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|                                                  | M. RECEIPTS                                               |

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

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