FRANCHISE DISCLOSURE DOCUMENT

LABRADOR FRANCHISES, INC.
A California Corporation
1941 Foothill Boulevard, Suite A
La Verne, California 91750
626-335-0469
www.petdepot.net
www.petdepot.com

We offer franchises for the operation of retail pet stores and animal hospitals under the trade name "**Pet Depot®**." We offer 6 franchise programs:

Retail Pet Store Program. The total investment necessary to begin operations of one Pet Depot® retail store ranges from $280,000 to $658,700. This amount includes $48,000 to $49,700 that must be paid to the franchisor or an affiliate.

Animal Hospital Program. The total investment necessary to begin operations of one Pet Depot® Animal Hospital ranges from $226,500 to $627,200. This amount includes $48,000 to $49,700 that must be paid to the franchisor or an affiliate.

Combined Retail Pet Store/Animal Hospital Program. The total investment necessary to begin operations of one combined Pet Depot® retail store and animal hospital at the same location ranges from $361,000 to $1,061,200. This amount includes $58,000 to $59,700 that must be paid to the franchisor or an affiliate.

Boutique Retail Pet Store Program. The total investment necessary to begin operations of one Pet Depot® Barkery retail store ranges from $154,500 to $301,700. This amount includes $38,000 to $39,700 that must be paid to the franchisor or an affiliate.

Conversion Franchise Program. The total investment necessary to convert and operate a qualified independently owned retail pet store as a Pet Depot® retail store ranges from $119,000 to $434,700. This amount includes $38,000 to $39,700 that must be paid to the franchisor or an affiliate.

Area Development Program. The total investment necessary to begin operations of 2 – 3 Pet Depot® retail stores ranges from $294,000 to $681,700 per Store. This amount includes $58,000 to $64,700 that must be paid to the franchisor or an affiliate.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to the Franchisor or an affiliate in connection with the proposed franchise sale**. Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Roman D. Versch, our President and CFO, 1941 Foothill Boulevard, Suite A, La Verne, California 91750, 626-335-0469, roman@petdepot.net and roman@petdepotvetgroup.com.

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

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

You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information.

Call your state agency listed on **Exhibit A** or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: APRIL 28, 2021.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by litigation only in California. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with the franchisor in California than in your own state.

2. **Financial Condition**: The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

LABRADOR FRANCHISES, INC.

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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this Disclosure Document, "**LFI**," "**we**," "**us**" and "**our**" refer to Labrador Franchises, Inc., the Franchisor. "**You**" and "**yours**" means the person or business entity that buys the franchise. If you are a business entity, "**you**" includes your owners. We were incorporated in California on December 18, 2001. Our principal business address is 1941 Foothill Boulevard, Suite A, La Verne, California 91750. We do business under our corporate name as well as under the trade names "**Pet Depot®**," "**Katie's Pet Depot®**," "**Pet Depot® Veterinary Group Animal Hospital**" and "**Pet Depot® Barkery**." Our agents for service of process are listed in **Exhibit A**.

Our Parents, Predecessors and Affiliates

We have been licensed by Labrador II, Inc., a California corporation incorporated on June 24, 1994 ("**Labrador II**"), to franchise Pet Depot® businesses. Labrador I, Inc., a California corporation incorporated on December 5, 1990, ("**Labrador I**") owned and operated Pet Depot® stores from February 1991 until October 2004. Labrador II owns and operates 1 Pet Depot® store which conducts business under the trade name "**Katie's Pet Depot**" aka Pet Depot at 1941 Foothill Boulevard, Suite A, La Verne, California 91750 Labrador II also owns and operates 1 Pet Depot® Veterinary Group Animal Hospital under the trade name "**Pet Depot® Veterinary Group**" at the same location Labrador I and Labrador II are under common control with LFI. Labrador I and Labrador II are collectively referred to in this Disclosure Document as the "**Operating Companies**." Pet Depot stores owned and operated by us or the Operating Companies are referred to in this Disclosure Document as "**Affiliate Owned & Operated Stores**." The Operating Companies' principal business address is 1941 Foothill Boulevard, Suite A, La Verne, California 91750. Our President, Roman Versch, is also the President of an affiliated company, Pet Depot Canada, ULC, which is authorized to sell Pet Depot® franchises in all provinces of Canada. Pet Depot Canada, ULC operates separately under Canadian franchise laws and regulations. Pet Depot Canada, ULC's corporate address is 1941 Foothill Boulevard, Suite A, La Verne, California 91750. We have no parents, predecessors or other affiliates as of the date of this Disclosure Document.

The Pet Depot® Franchises

The Pet Depot® franchise is an owner-developed and operated pet care business (the "**Franchised Business**") located at a site which you choose and which we accept (a "**Franchised Location**") which offers pet food, pet supplies, pets for sale, veterinary services, grooming services, and other related services to the general public. You will operate your Pet Depot® Retail Store (individually a "**Store**" and collectively the "**Stores**") under a trade name which combines your first name with "**Pet Depot®"** (for example, "**Bob's Pet Depot®**" if your first name is Bob). We offer 6 separate franchise programs in this Disclosure Document, though we may not necessarily allow you the opportunity to purchase under all of these programs:

Retail Pet Store/Pet Grooming Salon Program. Under this program, you will sign a Franchise Agreement (**Exhibit B**) to operate one new Store which will offer a full inventory of pet food, supplies, toys, treats and apparel and other pet accessories and pets for sale at a Franchised Location which you choose and which we accept. Under this program, your Store will offer pet grooming services.

Animal Hospital Program. Under this program, you will sign a Franchise Agreement to operate a Pet Depot® Veterinary Group Animal Hospital (a "**Hospital**") at a Franchised Location which you choose and which we accept. In some states, you may be required to be a licensed veterinarian to own and operate a Hospital.

Combined Retail Pet Store/Pet Grooming Salon/Animal Hospital Program. Under this program, you will sign a Franchise Agreement to operate a Store and Hospital (a "**Store/Hospital**") at the same Franchised Location which you choose and which we accept. Under this program, your Store will offer pet grooming services.

Boutique Retail Pet Store Program. Under this program, you will sign a Franchise Agreement to operate one Pet Depot® Barkery Retail Store (a "**Barkery Store**") which will offer a limited inventory of pet food, toys, treats and apparel and other pet accessories at a Franchised Location which you choose and which we accept. Under this program, you will not be able to offer pets for sale or pet grooming services.

Conversion Franchise Program. Under this program, you will sign a Franchise Agreement and a Conversion Franchise Addendum (**Exhibit C**) to convert and operate one qualified formerly independently owned pet store as a Store or Barkery Store (a "**Converted Store**") at the location of your former independently owned pet store. Under this program, you will not be able to offer pets for sale or pet grooming services.

Area Development Program. Under this program, we grant you the right to operate a specified number of Pet Depot® businesses in a defined geographic area (the "**Development Area**") in accordance with the development schedule (the "**Development Schedule**") attached to your Area Development Agreement (**Exhibit D**). For each Pet Depot Store you open under the Area Development Agreement, you must sign a separate Franchise Agreement on our then-current form after we accept the site for the Store, which form of Franchise Agreement may be different than the form of Franchisee Agreement included in this Disclosure Document. Each Store must be owned and operated by you.

We use and sublicense certain business methods for the development and operation of Pet Depot® Franchised Businesses. These business methods include trademarks, service marks, trade names and other identifying marks (the "**Pet Depot® Marks**"), distinctive signs and store design specifications; interior and exterior imaging requirements; uniform operating, merchandising and marketing methods; the purchase and use of mandatory products, including products which are specially formulated or branded for us, which we refer to as the "**Proprietary Products**," and confidential information and trade secrets. These business methods encompass all aspects of developing, operating and marketing Stores, and are referred to as the "**System**."

We will also promote the Pet Depot® brand and products through our websites, "**www.petdepot.net**" and "**www.petdepot.com**" which will provide extensive resources and information about our company and mission. Our website will ultimately serve as an e-commerce site for retail customers to purchase pet supplies and obtain pet care information. Our objective is to make the Pet Depot® brand synonymous with high quality pet products, services and care.

Unless the context of this Disclosure Document indicates or infers otherwise, any reference to "**Franchise**" in this disclosure document will include a Franchise for a Store, a Hospital, a Store/Hospital, a Barkery Store and a Converted Store, any reference to "**Store**" in this Disclosure Document will include a Store or Barkery Store, any reference to a "**Hospital**" in this Disclosure Document will include a Hospital and a Store/Hospital, and any reference to "**Franchised Location**" in this disclosure document will include a location for a Store, a Hospital, a Store/Hospital, a Barkery Store and a Converted Store.

Stores and Hospitals that only offer out-patient care are generally located in outdoor strip shopping areas, on a pad in a retail district or in an in-line shopping space. Hospitals that offer boarding services are generally located in or near residential areas where appropriate zoning is available, and in light use industrial parks.

Competition

You will compete with other pet supply stores and other retail establishments and veterinary offices selling similar services, supplies, food and equipment and various established national, regional, local and private facilities providing pet health and day care, boarding, and kenneling. The market for your products and services is developed and you will be selling to the general public.

Our Operating Experience

We do not operate any businesses of the type we franchise; however, Labrador II owns and operates two Stores under the trade name "**Katie's Pet Depot**" and two Hospitals under the trade name "**Pet Depot® Veterinary Group**."

Franchising Experience

We have offered franchises for sale in this line of business since June 2002. We have not and do not offer franchises for sale in any other lines of business as of the date of this Disclosure Document. Neither of the Operating Companies have ever offered franchises for sale in this line of business or any other lines of business. There were 28 franchisee-owned and operated Stores and 2 company owned Stores on December 31, 2020.

Industry Specific Regulations

In addition to laws and regulations that apply to businesses generally, the pet care business is subject to federal, state and local occupational health and safety regulations, Department of Animal Regulation licensing requirements, local zoning requirements, and regulations regarding kennel facilities, which vary by state and municipality. Many states require the owner of an animal hospital to be a licensed veterinarian while other states do not. You should also be aware of Federal, state and local labor regulations including minimum-age and minimum wage laws. These requirements may apply to your business. The details of these restrictions vary from place to place. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Pet Depot® Franchised Business.

The Payment Card Industry Data Security Standard ("**PCI DSS**") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI DSS applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

ITEM 2
BUSINESS EXPERIENCE

President; Chief Financial Officer; Director: **Roman D. Versch**

Mr. Versch has served as the President and Director of LFI since its formation in December 2001.

Secretary: **Edith L. Versch**

Mrs. Versch has served as the Secretary of LFI since December 2001.

Vice President of Operations: **Mark Roland Lanza**

Mr. Lanza has served as our Vice President of Operations since March 2011.

Director of Veterinary Operations: **Hasan Albasan, DVM**

Dr. Albasan became our Director of Veterinary Operations in November 2019. From February 2019 to November 2019, Dr. Albasan served as Associate Doctor of Veterinary Medicine for Veterinary Care Specialists in Milford, Michigan. From June 2017 to January 2019, Dr. Albasan served as Associate Doctor of Veterinary Medicine for Hopkins Pet Hospital in Hopkins, Minnesota. From December 2015 to June 2017, Dr. Albasan served as Associate Doctor of Veterinary Medicine for Barrington Oaks Veterinary Hospital in Elk River, Minnesota.

Director of Marketing: **Corrie Warren**

Ms. Warren has been our Director of Marketing since August 2011. She assists with franchisee training, primarily assisting franchisees in promoting store sales and advertising.

Veterinary Administrator: **Christopher Versch**

Mr. Versch has been our Veterinary Administrator since June 2016. From June 2015 to May 2016, Mr. Versch served as our Veterinary Assistant. From June 2014 to May 2015, Mr. Versch served as our Veterinary Administrator. From August 2011 to May 2016, he attended Bringham Young University in Provo, Utah and University of Redlands in Redlands, California.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5
INITIAL FEES

When you sign each Franchise Agreement, you must pay us an initial franchise fee (the "**Initial Franchise Fee**") as follows:

Retail Pet Store

The Initial Franchise Fee is $40,000 for the right to operate one Store. The Initial Franchise Fee is payable in full when you sign the Franchise Agreement, is fully earned by us when paid and is not refundable under any circumstances.

Animal Hospital

The Initial Franchise Fee is $40,000 for the right to operate one Hospital. The Initial Franchise Fee is payable in full when you sign the Franchise Agreement, is fully earned by us when paid and is not refundable under any circumstances.

Combined Retail Pet Store/Animal Hospital

The Initial Franchise Fee is $50,000 for the right to operate one combined Store/Hospital. The Initial Franchise Fee is payable in full when you sign the Franchise Agreement, is fully earned by us when paid and is not refundable under any circumstances.

Barkery Store

The Initial Franchise Fee is $30,000 for the right to operate one Pet Depot® Barkery Store. The Initial Franchise Fee is payable in full when you sign the Franchise Agreement, is fully earned by us when paid and is not refundable under any circumstances.

Conversion Franchise

The Initial Franchise Fee is $30,000 for the right to convert and operate a qualified formerly independently-owned pet shop as a Store (the "**Conversion Franchise Fee**"). The Conversion Franchise Fee is payable in full when you sign the Franchise Agreement and Conversion Franchise Addendum, is fully earned by us when paid and is not refundable under any circumstances.

Area Development Agreement

The development fee is $5,000 (the "**Development Fee**") for each Store to be developed under the Area Development Agreement. The Development Fee is payable in full when you sign the Area Development Agreement, is fully earned by us when paid and is not refundable under any circumstances. You must sign the Franchise Agreement for your first Store and pay us an Initial Franchise Fee when you sign your Area Development Agreement. You will receive a 20% credit on the Initial Franchise Fees for the second and each additional Store you open under the Area Development Agreement. The number of Stores you will develop will be set forth in the Development Schedule which is a part of the Area Development Agreement.

Discounts for Existing Franchisees

If you become a Pet Depot® franchisee and buy additional Pet Depot® Franchises at a later date, we will discount our then-current Initial Franchise Fee for you by 20%. For example, if our then-current Initial Franchise Fee is $40,000 when you buy an additional Franchise, you would pay $32,000 as the Initial Franchise Fee for that Pet Depot® Franchise.

Lease Review Fee

We may require you to pay us a lease review fee only if we incur legal fees to review your Lease for the proposed Franchised Location, in our discretion, which fee will not exceed $1,200.

Training Fee

We will provide you and 1 other supervisorial or managerial person with our initial training program before you open your Store. There is no additional charge for our initial training of 2 trainees who attend the same initial training sessions; however, if you request us to provide our initial training program to any additional supervisorial or managerial personnel, we will charge you a $500 additional training fee for each additional trainee provided they attend the same initial training sessions or other scheduled sessions.

Grand Opening Advertising

You must spend $8,000 on Grand Opening advertising and promotion for your Store. You must deliver to us, upon our demand prior to your Grand Opening, a payment of $8,000, so that we can coordinate your Grand Opening advertising and promotion. The check will be deposited into the advertising fund under your account, and the funds will be disbursed to third-party vendors.

Franchise Application and Method of Payment

To apply for a Pet Depot® Franchise, you must submit preliminary financials and a biographical profile to us for yourself and, if you are a business entity, for each of your owners. We will evaluate this information and decide if more discussion about the Pet Depot® Franchise opportunity would be productive. If there is mutual interest in continuing discussions, you will at that time complete a comprehensive application and provide us with bank and personal references and any other information that we may reasonably request to complete our evaluation. We will not process your application until it is complete. Once complete, we have 30 days in which to accept or reject it, and reserve complete discretion in selecting franchisees. Neither our, nor your expression of interest in continuing discussions obligates us to sell you a Franchise. Neither party will be obligated to complete the transaction until both you and we sign a Franchise Agreement or an Area Development Agreement. If we accept your application, and approve you, you must pay the Initial Franchise Fee or Development Fee at that time.

Refunds, Different Fees and Financing

Generally, the initial franchise fee is uniform to all parties applying to purchase a Franchised Business. We do, however, offer all qualifying veterans a 15% reduction off of the Initial Franchise Fee. This discount is available to all veterans who have received an honorable discharge from any branch of the U.S. Military or Coast Guard and is available to new franchisees only for a single Retail Pet Store Franchised Business. The price reduction applies only to the first Franchised Business acquired by a veteran. The Initial Franchise Fee, Conversion Franchise Fee and Development Fee are fully earned by us when paid and are not refundable

under any circumstances. We use the proceeds from Initial Franchise Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (i) costs related to developing and improving our services; (ii) expenses of preparing and registering this Disclosure Document; (iii) legal fees; (iv) accounting fees; (v) costs of obtaining and screening franchisees; and (vi) general administrative expenses. We may reduce, defer or waive the Initial Franchise Fee, Conversion Franchise Fee or Development Fee if and when we determine that doing so is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee, Conversion Franchise Fee or Development Fee. We may do so if and when we determine, it is warranted by a unique or compelling situation. Initial Franchise Fees collected in 2020 ranged from $40,000 to $40,000.

ITEM 6
OTHER FEES

Name Of Fee	Amount	Date Due	Remarks
Royalty Fee for New Stores and Hospitals (Note 1)	5% of "Gross Sales"	Within 10 days of the then-applicable weekly Accounting Period	Royalty Fee for New Stores and Hospitals
Advertising Fee for New Stores and Hospitals (Note 1)	2% of "Gross Sales"	Same as Royalty Fee	Advertising Fee for New Stores and Hospitals
Royalty Fee for Conversion Franchises (Notes 1 and 2)	No Royalty Fee payable on your "Base Gross Sales." You will pay 5% of "Gross Sales" in excess of "Base Gross Sales" as a Royalty Fee	Within 10 days of the then-applicable weekly Accounting Period	Royalty Fee for Conversion Franchises
Advertising Fee for Conversion Franchise (Notes 1 and 2)	2% of "Base Gross Sales" and 2% of "Gross Sales"	Same as Royalty Fee	Advertising Fee for Conversion Franchise
Gross-Up Fees	Varies with circumstances	Upon Demand	To ensure that we receive a full 5% of Gross Sales as a Royalty Fee and the full Advertising Fee that is due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us Royalty Fees and Advertising Fees, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of the Franchise Agreement.
Late Fees	$200 plus interest of 1.5% on the amount outstanding per month, not to exceed the legal rate, which is currently 10% in California.	Upon Demand	Payable if any check, draft, electronic or other payment is unpaid because of insufficient funds or if any sums due to us are not paid promptly when due.

Name Of Fee	Amount	Date Due	Remarks
Renewal Fee	25% off the then-current Initial Franchise Fee	Upon extension of the term	Payable when you "renew" your Franchise Agreement.
Transfer Application Fee (Franchise Agreement)	Our out of pocket costs associated with processing the application for the transfer	Upon application for Transfer	Transfer Application Fee
Transfer Fee (Franchise Agreement)	The then-current Initial Franchise Fee, plus our out of pocket costs associated with the transfer, including our attorneys' fees associated with the transfer	At Transfer	Transfer Fee
Transfer Fee (Area Development Agreement)	$5,000	At Transfer	Transfer Fee
Remedial Training	Currently, $300 per person, per day	As incurred	If we determine it to be necessary, we may provide you or your supervisorial or managerial personnel with on-site remedial training or assistance subject to the availability of our personnel. You will pay us any fee which we may charge you and other franchisees to defray the direct costs of providing this remedial training to you. In addition, you will be responsible for any and all other expenses incurred in connection with sending your employees to remedial training including the costs of transportation, lodging, meals, training materials and any wages. We will, in our sole discretion, select the time and location of all remedial training.
Additional On-Site Assistance	Currently, $300 per person per day	Upon Demand	Additional On-Site Assistance
Lost or Destroyed Operations Manual	$2,000 per copy	Upon Demand	Lost or Destroyed Operations Manual
Audit by LFI	Costs of audit ($1,000 - $10,000)	Upon Demand	Payable only if an audit shows an understatement of 2% of Gross Sales or more.
Reimbursement of monies paid by us on your behalf	Varies with circumstances	Upon Demand	Reimbursement of monies paid by us on your behalf
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Costs and Attorneys' Fees

Name Of Fee	Amount	Date Due	Remarks
Supplier Testing Fee	$500 - $2,500	As incurred	Payable only if we incur out of pocket expenses
Interim Management Fee	Not to exceed $500 per day	Upon Demand	If we give you notice that you are in default, we may (but are not obligated to) assume interim management of the Store and/or Hospital during any cure period instead of immediately terminating the Franchise Agreement. If we do so, we have the right to charge a reasonable fee for the management services.
Indemnification	Will vary under circumstances	Upon Demand	Indemnification
Advanced and Refresher Training Courses	Currently, $150 per person per day	Upon Demand	Advanced and Refresher Training Courses
Repairs	Cost of labor and materials, plus a 25% service charge plus reimbursement for our direct costs to supervise the work and other related expenses	Upon Demand	Repairs
Private Offering Fee (Franchise Agreement and Area Development Agreement)	$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses with reviewing the proposed offering.	Before offering.	Payable for each proposed private offering of securities, partnership or other ownership interests in Franchisee and is in addition to any Transfer Fee under any Franchise Agreement and/or Area Development Agreement.
Relocation Assessment	An amount equal to the average Royalty Fees and Advertising Fees you paid for your original Franchised Business during the last 2 calendar quarters plus an additional 10% or if you have not been in operation for the past 2 calendar quarters, the average Royalty and Advertising Fees during the time period that you have been in business plus an additional 10%.	On demand.	If we consent to a relocation of your Franchised Business, you shall secure the new Franchised Location and open your replacement Franchised Business at the new Franchised Location without any interruptions in the continuous operation of the Franchised Business, unless you have our prior consent. If you have your consent to a disruption in operations and operations cease, you will pay us the Relocation Assessment described in this chart until operations resume at the new Franchised Location.

Name Of Fee	Amount	Date Due	Remarks
Insurance	Amount of unpaid premiums and our out of pocket costs, plus a 25% service charge	On demand.	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Post-Termination Gross Sales Fee	5% of all revenue derived from the operation of a Competitive Business	15th day of each month on the Post-Termination Gross Sales of the Competitive Business during the preceding calendar month.	Payable if you operate a Competitive Business after the expiration, termination or assignment of your Franchise Agreement in violation of the covenants in your Franchise Agreement.

We uniformly impose and collect all fees, other than for monies expended for local advertising. All fees are non-refundable.

NOTE 1 "**Gross Sales**" means the aggregate of all sales and other income from the Franchised Business, whether payment is in cash credit, gift certificates or other generally accepted form of payment. Gross Sales includes, without limitation, all proceeds from any business interruption insurance, the sale of Proprietary Products and approved wholesale transactions, but excludes: (i) all sales taxes and other taxes separately stated that you collect from customers and pays to taxing authorities under applicable laws; (ii) all refunds and credits made in good faith to arms' length customers; and (iii) the discount value of all authorized coupons, vouchers or other allowances sold, or redeemed, by you.

NOTE 2 "**Base Gross Sales**" means the average **"Gross Sales"** at your existing independent pet store during the 12 consecutive month period prior to the effective date of the Conversion Franchise Addendum to Franchise Agreement or, if your existing pet store has not been open for business and operating for at least 12 consecutive months, for the actual number of months your existing pet store has been open to the public.

ITEM 7
ESTIMATED INITIAL INVESTMENT

ONE PET DEPOT STORE
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
*Initial Franchise Fee	$40,000	Lump sum when Franchise Agreement is signed	When you sign your Franchise Agreement	Us
Training (Note 7)	$0 - $500	As arranged	As arranged	Us
Real Estate costs and Leasehold Improvements (Notes 1 and 2)	$10,000 – $85,000	As Arranged	As Arranged	Landlord, Contractor, real estate broker.
Engineering Fees (Note 2)	$5,000 - $25,000	As arranged	As arranged	Suppliers

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Lease Review Fee	$0 - $1,200	As arranged	As arranged	Us, but only if we incur legal fees to review your lease for the proposed Franchised Location.
Furniture & Fixtures (Note 3)	$60,000 - $150,000	As Arranged	As Arranged	Suppliers
Equipment (Note 4)	$25,000 - $75,000	As Arranged	As Arranged	Suppliers, vendors, other 3rd parties
Signage	$8,000 – $20,000	As Arranged	As Arranged	Sign supplier
Computer System (includes POS system and software)	$12,000 – $20,000	As Arranged	As Arranged	Suppliers and vendors
Professional Fees	$4,000 – $8,000	As Arranged	As Arranged	Attorney's, architects and other 3rd party vendors
Security Deposits and Permits	$2,000 – $14,000	As Arranged	As Arranged	Landlords, Business Government Agencies and vendors
Opening Inventory (Note 11)	$60,000 – $150,000	As Arranged	As Arranged	Suppliers and vendors
Insurance (Note 5)	$3,000 - $6,000	As Arranged	As Arranged	Insurers
Uniforms	$1,000 - $2,000 depending upon number of employees	As Arranged	As Arranged	Our distributor
Travel, lodging and other expenses connected with attending initial training program (Note 7)	$2,000 - $4,000	As Arranged	As Arranged	Airlines, hotels, stores, employee salaries and other transportation
Grand Opening Advertising (Note 6)	$8,000	As Arranged	As Arranged	Us
Additional Funds - for 3 months (Note 10)	$40,000 - $50,000	As Arranged	As Arranged	Vendors, Landlords, 3rd party suppliers
Total	**$280,000 – $658,700**			

ONE PET DEPOT ANIMAL HOSPITAL
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	$40,000	Lump sum when Franchise Agreement is signed	When you sign your Franchise Agreement	Us
Training (Note 7)	$0 - $500	As arranged	As arranged	Us
Vetter Practice Management System Software Training (Note 8)	$1,000 - $7,500	As arranged	As arranged	Vendor
Real Estate costs and Leasehold Improvements (Notes 2 and 12)	$25,000 - $150,000	As Arranged	As Arranged	Landlord, Contractor, real estate broker.
Engineering Fees (Note 2)	$5,000 - $25,000	As arranged	As arranged	Suppliers
Lease Review Fee	$0 - $1,200	As arranged	As arranged	Us, but only if we incur legal fees to review your lease for the proposed Franchised Location
Furniture & Fixtures (Note 3)	$30,000 - $100,000	As Arranged	As Arranged	Suppliers
Equipment (Note 4)	$40,000 - $100,000	As Arranged	As Arranged	Suppliers, vendors, other 3rd parties
Signage	$8,000 – $20,000	As Arranged	As Arranged	Sign supplier
Computer System (includes POS system and software)	$15,000 – $30,000	As Arranged	As Arranged	Suppliers and vendors
Professional Fees	$4,000 – $8,000	As Arranged	As Arranged	Attorney's, architects and other 3rd party vendors
Security Deposits and Permits	$2,000 – $24,000	As Arranged	As Arranged	Landlords, Business Government Agencies and vendors
Opening Inventory (Note 11)	$5,000 – $45,000	As Arranged	As Arranged	Suppliers and vendors
Insurance (Note 5)	$3,000 - $6,000	As Arranged	As Arranged	Insurers
Uniforms	$500 - $2,000 depending upon number of employees	As Arranged	As Arranged	Our distributor

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Travel, lodging and other expenses connected with attending initial training program (Note 7)	$0 - $10,000	As Arranged	As Arranged	Airlines, hotels, stores, employee salaries and other transportation
Grand Opening Advertising (Note 6)	$8,000	As Arranged	As Arranged	Us
Additional Funds - for 3 months (Note 10)	$40,000 – $50,000	As Arranged	As Arranged	Vendors, Landlords, 3rd party suppliers
Total	**$226,500 – $627,200**			

ONE COMBINED PET DEPOT STORE/HOSPITAL
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	$50,000	Lump sum when Franchise Agreement is signed	When you sign your Franchise Agreement	Us
Training (Note 7)	$0 - $500	As arranged	As arranged	Us
Vetter Practice Management System Software Training (Note 8)	$1,000 - $7,500	As arranged	As arranged	Vendor
Real Estate costs and Leasehold Improvements (Notes 2 and 14)	$35,000 - $235,000	As Arranged	As Arranged	Landlord, Contractor, real estate broker
Engineering Fees (Note 2)	$5,000 - $25,000	As arranged	As arranged	Suppliers
Lease Review Fee	$0 - $1,200	As arranged	As arranged	Us, but only if we incur legal fees to review your lease for the proposed Franchised Location
Furniture & Fixtures (Note 3)	$80,000 - $220,000	As Arranged	As Arranged	Suppliers
Equipment (Note 4)	$50,000 - $150,000	As Arranged	As Arranged	Suppliers, vendors, other 3rd parties
Signage	$8,000 – $20,000	As Arranged	As Arranged	Sign supplier
Computer System (includes POS system and software)	$22,000 - $30,000	As Arranged	As Arranged	Suppliers and vendors
Professional Fees	$4,000 – $8,000	As Arranged	As Arranged	Attorney's, architects and other 3rd party vendors
Security Deposits and Permits	$2,000 – $14,000	As Arranged	As Arranged	Landlords, Business Government Agencies and vendors

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Opening Inventory (Note 11)	$50,000 – $200,000	As Arranged	As Arranged	Suppliers and vendors
Insurance (Note 5)	$3,000 - $6,000	As Arranged	As Arranged	Insurers
Uniforms	$1,000 - $2,000 depending upon number of employees	As Arranged	As Arranged	Our distributor
Travel, lodging and other expenses connected with attending initial training program (Note 7)	$2,000 - $4,000	As Arranged	As Arranged	Airlines, hotels, stores, employee salaries and other transportation
Grand Opening Advertising (Note 6)	$8,000	As Arranged	As Arranged	Us
Additional Funds - for 3 months (Note 10)	$40,000 – $80,000	As Arranged	As Arranged	Vendors, Landlords, 3rd party suppliers
Total	**$361,000 – $1,061,200**			

ONE PET DEPOT BARKERY STORE
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	$30,000	Lump sum when Franchise Agreement is signed	When you sign your Franchise Agreement	Us
Training (Note 7)	$0 - $500	As arranged	As arranged	Us
Real Estate costs and Leasehold Improvements (Notes 2 and 13)	$7,000 - $20,000	As Arranged	As Arranged	Landlord, Contractor, real estate broker
Engineering Fees (Note 2)	$5,000 - $25,000	As arranged	As arranged	Suppliers
Lease Review Fee	$0 - $1,200	As arranged	As arranged	Us, but only if we incur legal fees to review your lease for the proposed Franchised Location
Furniture & Fixtures (Note 3)	$25,000 - $50,000	As Arranged	As Arranged	Suppliers
Equipment (Note 4)	$16,000 - $30,000	As Arranged	As Arranged	Suppliers, vendors, other 3rd parties
Signage	$5,000 – $10,000	As Arranged	As Arranged	Sign supplier
Computer System (includes POS system and software)	$8,000 – $12,000	As Arranged	As Arranged	Suppliers and vendors
Professional Fees	$4,000 – $8,000	As Arranged	As Arranged	Attorney's, architects and other 3rd party vendors

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Security Deposits and Permits	$3,000 – $8,000	As Arranged	As Arranged	Landlords, Business Government Agencies and vendors
Opening Inventory (Note 15)	$30,000 – $60,000	As Arranged	As Arranged	Suppliers and vendors
Insurance (Note 5)	$1,000 - $3,000	As Arranged	As Arranged	Insurers
Uniforms	$500 - $2,000 depending upon number of employees	As Arranged	As Arranged	Our distributor
Travel, lodging and other expenses connected with attending initial training program (Note 7)	$2,000 - $4,000	As Arranged	As Arranged	Airlines, hotels, stores, employee salaries and other transportation
Grand Opening Advertising (Note 6)	$8,000	As Arranged	As Arranged	Us
Additional Funds - for 3 months (Note 10)	$10,000 – $30,000	As Arranged	As Arranged	Vendors, Landlords, 3rd party suppliers
Total	**$154,550 – $301,700**			

CONVERSION FRANCHISE
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	$30,000	Lump sum when Franchise Agreement is signed	When you sign your Franchise Agreement	Us
Training (Note 7)	$0 - $500	As arranged	As arranged	Us
Real Estate costs and Leasehold Improvements; Security Deposits and Permits (Note 9)	$2,000 - $15,000	As Arranged	As Arranged	Landlord, Contractor, real estate broker
Engineering Fees (Note 2)	$5,000 - $25,000	As arranged	As arranged	Suppliers
Lease Review Fee	$0 - $1,200	As arranged	As arranged	Us, but only if we incur legal fees to review your lease for the proposed Franchised Location
Furniture & Fixtures (Note 3)	$15,000 - $80,000	As Arranged	As Arranged	Suppliers

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Equipment (Note 4)	$5,000 - $40,000	As Arranged	As Arranged	Suppliers, vendors and other 3rd parties
Signage	$5,000 – $20,000	As Arranged	As Arranged	Sign supplier
Computer System (includes POS system and software)	$6,000 – $20,000	As Arranged	As Arranged	Suppliers and vendors
Professional Fees	$2,000 – $5,000	As Arranged	As Arranged	Attorney's, architects and other 3rd party vendors
Opening Inventory (Note 11)	$20,000 – $128,000 (less approved inventory on hand)	As Arranged	As Arranged	Suppliers and vendors
Insurance (Note 5)	$0 - $6,000	As Arranged	As Arranged	Insurers
Uniforms	$500 - $2,000 depending upon number of employees	As Arranged	As Arranged	Our distributor
Travel, lodging and other expenses connected with attending initial training program (Note 7)	$500 - $4,000	As Arranged	As Arranged	Airlines, hotels, stores, employee salaries and other transportation
Grand Opening Advertising (Note 6)	$8,000	As Arranged	As Arranged	Us
Additional Funds – for 3 months (Note 10)	$20,000 – $50,000	As Arranged	As Arranged	Vendors, Landlords, 3rd party suppliers
Total for Conversion Franchise	**$119,000 – $434,700**			

AREA DEVELOPMENT FRANCHISE
YOUR ESTIMATED INITIAL INVESTMENT (2-3 PET DEPOT STORES)

Type Of Expenditures	Amounts	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Investment 1st Unit[16]	$280,000 - $658,700	See Above	See Above	See Above
Development Fees	$10,000 - $15,000	Cash	At Signing	Us
Additional Professional Fees	$4,000 - $8,000	Cash	As Incurred	Legal & State
Grand Total	$294,000 - $681,700			

*** We offer all qualifying veterans a 15% reduction off of the Initial Franchise Fee. This discount is available to all veterans who have received an honorable discharge from any branch of the U.S. Military or Coast Guard and is available for new franchisees only for a single Retail Pet Store Franchised Business. The price reduction applies only to the first Franchised Business acquired by a veteran.**

******If you develop 2 Stores under an Area Development Agreement, your total Development Fees will be $10,000 ($5,000 per Store), and your total Initial Franchise Fees will be $72,000 ($40,000 + $32,000). If you develop 3

Stores under an Area Development Agreement, your total Development Fees will be $15,000, ($5,000 per Store) and your total Initial Franchise Fees will be $104,000 ($40,000 + $32,000 +$32,000). In each instance, you will receive a 20% credit on the Initial Franchise Fees for the second and each additional Store you open under the Area Development Agreement when you sign your Franchise Agreement. You will pay the Initial Franchise Fee for the first Store when you sign the Area Development Agreement. You will pay the Initial Franchise Fee for the second and each additional Store at the time you sign the related Franchise Agreement. The 20% credit on the Initial Franchise Fees is not included in the chart titled Area Development Franchise: Your Initial Investment (2-3 Pet Depot Stores) above.

The high figures on all 6 charts include a possible lease evaluation fee of $1,200 and a training fee of $500 for one additional person over the first 2 trainees who are trained at no charge.

Unless otherwise noted above, all fees and uniformly imposed and payable to us. Any fees paid to us are non-refundable unless otherwise noted. Fees payable to third parties are refundable based on your individual arrangements.

NOTE 1

The low/high range for initial investment costs for one Store largely depends on the size of your Store, prior use and overall condition. Our expenses assume you locate in an outdoor strip shopping area, on a pad in a retail district or in an in-line shopping space. We base the low range on a 2,500 square foot full-line Store and the high range on a 6,000 square foot Store. The total minimum lease cost for a site of this nature generally ranges from $3,500 to $20,000 per month for a full-line Store, depending upon the local real estate market, the amount of leasehold improvements required, local construction ordinances, current construction costs in the area and your credit worthiness. The minimum lease cost is generally versus a negotiated percentage of sales, the exact percentage being a function of prevailing market conditions, the strength of the concept and the perceived risk assumed by the landlord. A smaller Store will involve less furniture, build-out, rent, operating costs, equipment and employees. We may require you to sign and have the landlord of the Franchised Location sign our Lease Assignment Agreement (**Exhibit E**) to give us the option to assume your Lease if your Franchise Agreement or Lease terminate for any reason.

NOTE 2

Leasehold improvements include costs to conform the approved location to our comprehensive specifications for lighting, flooring, wall coverings, ceiling treatments, retail displays, store front design and build-out, general trade dress components and other improvements to prepare the Store for opening. Actual costs will depend on the size and pre-existing condition of the approved location. We impose comprehensive specifications for exterior and interior design and appearance of your Store. These estimates assume no structural or exterior renovations. Actual costs may be lower if the landlord provides over-standard improvements or contributes any tenant improvement allowance. If you lease an unimproved location (shell), you may incur engineering fees in order to obtain building permits.

NOTE 3

Fixtures include all custom-made millwork, theme elements such as canopies, awnings, cabinetry and steel fixtures. Furniture includes desks, shelves, files and telephones. We may provide you with installation services to assist you with installation dates and help you control costs of installing your fixtures and equipment. The estimate provided will cover the cost of this optional service.

NOTE 4

Equipment includes a freezer, a refrigerator, retail displays a safe and small wares. Our chart assumes that you purchase, rather than lease, all equipment. However, your initial expenses may be lower if you lease or finance equipment. This estimate presumes that you will purchase some used equipment for your Animal Hospital. We may provide you with installation services to assist you with installation dates and help you control costs of installing your fixtures and equipment. The estimate provided will cover the cost of this optional service.

NOTE 5

Our estimate on the annual insurance premium assumes that you pay the entire amount during the first 3 months of operation. You must carry insurance covering the risks and meeting the minimum coverage requirements that we set forth in this Disclosure Document and your Franchise Agreement protecting you and naming us as an additionally insured. These requirements are: comprehensive general liability – bodily injury and property damage ($1,000,000 per occurrence), including products/completed operations ($2,000,000 general aggregate); automobile liability – any owned vehicles, hired and non-owned auto liability ($1,000,000 per accident); workers compensation – comply with state and local laws. If you fail to purchase this insurance, we may obtain insurance for you, and you must reimburse us for its cost. All insurance policies must name us as an additionally insured and give us at least 30 days prior written notice of termination, amendment, or cancellation. You must also provide us with certificates of insurance proving your insurance coverage no later than 10 days before your store opens.

NOTE 6

Within the first 60 days after opening your Store, you must spend $8,000 on grand opening advertising and promotion, but you may choose to spend more. You must deliver to us, upon our demand prior to your Grand Opening, a cashier's check for $8,000 so that we can coordinate your Grand Opening advertising and promotion. We will deposit the check into the advertising fund under your account, and the funds will be disbursed to third party vendors.

NOTE 7

We will provide you and 1 other supervisorial or managerial personnel of yours with our initial training program before you open your Store for business. There is no additional charge for our initial training of 2 trainees who attend the same initial training sessions; however, if you request us to provide our initial training program to any additional managerial or supervisorial personnel, we will charge you a $500 additional training fee for each additional trainee provided they attend the same initial training sessions. The high figure assumes 1 additional supervisorial or managerial person will attend the initial training program. If more than 1 additional trainee attends the initial training program, the high figure may be more.

The figures reflected regarding traveling also include food, lodging, car rental, and salary expenses for 2 persons during Phase I training.

You may not require any off-site training if you operate a Hospital. The Vetter practice management system software (described in Note 8) may be sufficient for training you and your staff.

NOTE 8

We use a cloud-based veterinary hospital practice management system software program called Vetter. A third party on-site training program from Vetter is available with the purchase of your practice management system hardware/software purchase. You are not required to purchase this training if you are already familiar with the operation of the most recent version of Vetter software. Vetter diagnostic equipment auto apply features/inventory control features and other modules may be purchased on an as needed basis from Vetter. Your costs will vary depending upon your selection of necessary training modules, and on-line and on-site training required by you. In addition to your monthly subscription service fee, additional Vetter fees typically range from $1,000 to $7,500 for complete on-site training.

We do not offer medical training for doctors of veterinary medicine other than administrative training related to Hospital administration, equipment, vendor relations, staff protocol and general business operations. We do employ an experienced veterinarian for consultation on medical issues, but you must make all final decisions on any medical treatments of your client's pets.

NOTE 9

You will, in most cases, already have a site for your existing pet store which will become the Franchised Location if you purchase a Conversion Franchise. You will already have established your expenses for the Franchised Location for rent and related occupancy charges which are not included in this item. Your site must have at least 2,500 square feet and you must have the right to occupy the site for at least 5 years. You must pay all expenses for leasehold improvements if you purchase a Conversion Franchise. You must make leasehold improvements to bring your existing pet store to our current standards and specifications; however, there may be some flexibility in these requirements because of the unique design, layout, location and physical characteristics of your existing pet store. You may also relocate your Store at your expense. You must pay all expenses for your equipment, fixtures and signs for the Store if you purchase a Conversion Franchise. You must install equipment, fixtures and signs at the Store to bring your existing pet store to our current standards and specifications; however, there may be some flexibility in these requirements because of the unique design, layout and physical characteristics of your existing pet store. You can incur expenses for legal and accounting fees, franchises, permits and other items related to the conversion of your existing pet store if you purchase a Conversion Franchise. Since you will, in most cases, already have a site for your existing pet store which becomes the Franchised Location, you should not be required to post additional deposits, or the like, as part of the conversion process. You will, in most cases, already have insurance coverage in effect for your existing pet store if you purchase a Conversion Franchise. You must obtain additional coverage if your insurance does not satisfy our standard requirements. You will, in most cases, already have certain products in inventory if you purchase a Conversion Franchise, which will reduce your costs for inventory when your Store opens for business, if we approve these products. You must offer and sell only products that we have approved.

NOTE 10

You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under the Franchise Agreement and to cover the risks and contingencies of your Store and/or Hospital for at least 3 months. Your initial start-up expenses for the 3 month period following the opening of the Store for business have been included in this estimate. These expenses include estimated payroll costs. Revenues during this initial period are not taken into account. We cannot guarantee that you will not have additional expenses, or other categories of expenses, to start the business. You should not plan to draw income from operations during the start-up and development stage of your franchise, which may be a period

exceeding this 3 month period. We do not and cannot guarantee that you will ever make any money from this business. We rely on over 40 years of experience in the pet store business to compile these estimates.

NOTE 11

You must maintain a minimum inventory of approved products in your Store equal to a wholesale value of $32 per square foot. Your required inventory value will be based upon the actual size of the retail area of your Store.

NOTE 12

The low/high range for initial investment costs for one Hospital largely depends on the size of your Hospital, prior use and overall condition. Our expenses assume you are an out-patient Hospital located in an outdoor strip shopping area, on a pad in a retail district or in an in-line shopping space. The size will range from 1,500 – 6,000 square feet. The total minimum lease cost for a site of this nature generally ranges from $4,000 to $20,000 per month, depending upon the local real estate market, the amount of leasehold improvements required, local construction ordinances, current construction costs in the area and your credit worthiness.

A Hospital that provides over-night boarding of animals will generally be located in or near residential areas where appropriate zoning is available, and in light use industrial parks. The size will range from 2,500 – 8,000 square feet. The total minimum lease cost for a site of this nature generally ranges from $5,000 to $30,000 per month, depending upon the local real estate market, the amount of leasehold improvements required, local construction ordinances, current construction costs in the area and your credit worthiness.

We may require you to sign and have the landlord of the Franchised Location sign our Lease Assignment Agreement (**Exhibit E**) to give us the option to assume your Lease if your Franchise Agreement or Lease terminate for any reason.

NOTE 13

The low/high range for initial investment costs for one Barkery Store largely depends on the size of your Barkery Store, prior use and overall condition. Our expenses assume you are a Barkery Store located in an outdoor strip shopping area, on a pad in a retail district or in an in-line shopping space. The size will be under 2,000 square feet. The total minimum lease cost for a site of this nature generally ranges from $2,000 to $4,000 per month, depending upon the local real estate market, the amount of leasehold improvements required, local construction ordinances, current construction costs in the area and your credit worthiness. We may require you to sign and have the landlord of the Franchised Location sign our Lease Assignment Agreement (**Exhibit E**) to give us the option to assume your Lease if your Franchise Agreement or Lease terminate for any reason.

NOTE 14

The low/high range for initial investment costs for one combined Store/Hospital largely depends on the size of your Store/Hospital, prior use and overall condition. Our expenses assume you are an out-patient Store/Hospital located in an outdoor strip shopping area, on a pad in a retail district or in an in-line shopping space. The size will range from 3,000 to 8,000 square feet. The total minimum lease cost for a site of this nature generally ranges from $6,000 to $24,000 per month, depending upon the local real estate market, the amount of leasehold improvements required, local construction ordinances, current construction costs in the area and your credit worthiness. We may require you to sign and have the landlord of the Franchised Location sign our

Lease Assignment Agreement (**Exhibit E**) to give us the option to assume your Lease if your Franchise Agreement or Lease terminate for any reason.

NOTE 15

You must maintain a minimum inventory of approved products in your Barkery Store equal to a wholesale value of $32 per square foot. Your required inventory value will be based upon the actual size of the retail area of your Barkery Store.

NOTE 16

The Initial Investment for your first Unit is taken from the chart above, titled Estimated Initial Investment: One Pet Depot Store. Additional professional fees in the ADA chart above reflect additional professional costs you may incur as a result of signing an Area Development Agreement.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Designated and Approved Suppliers

You must follow our comprehensive specifications for products, services, supplies, materials, equipment, interior and exterior design, insurance and real estate. These specifications promote uniformity among Stores, ensure consistency in the quality of the products and services that Stores serve to customers, and strengthen customer confidence in the Pet Depot® brand name. We explain these specifications in our Operations Manual (the "**Operations Manual**"). We may revise our specifications, in our discretion, as frequently as we believe is necessary through written supplements to the Operations Manual. You must conform to all changes in our specifications, at your cost, within the time we allow. You must buy certain pet food, pet supplies and any other items deemed to be critical to the Pet Depot® brand from designated suppliers. You must purchase or lease all equipment, inventory, supplies, tools, and other products and materials required for the operation of your Store and/or Hospital solely from suppliers (including distributors, manufacturers, and other sources) we have approved in writing. We maintain written lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and list of approved suppliers for those items. We periodically update our lists and issue the updated lists to all franchisees. If there is no approved or designated supplier for a particular item, you must purchase all products and services from suppliers who meet our specifications and standards as to quality, composition, appearance and services and adequately demonstrate their capacity to supply your needs in the quantities, at the times, and with the reliability required for an efficient operation.

You must acquire, use and maintain the point of sale cash collection system ("**POS system**") we specify in the Manual or otherwise in writing. Additionally, you must maintain electronic data exchange services such as PC based Cloud Software and other services we designate to enable us to remotely retrieve sales, inventory and other operating data as frequently as we deem necessary. You will use PC-based Cloud Software. You must procure and utilize a computer terminal, dedicated modem and such other business equipment we require and purchase, install and use designated non-proprietary and proprietary software programs to record business activities, sales and inventories and to prepare operating reports as required in the Manual. You must purchase and maintain all required equipment and software at your sole expense, which will at all times conform to our specifications, which we may periodically modify in our discretion. See Item 11.

Proprietary Products

You must purchase and sell our branded products from suppliers we designate. We estimate that your required purchases of branded products will range from 0% to 0.1% of your total initial investment and from 0% to 0.1% of your annual operating expenses. Currently, there are no Proprietary Products that you must purchase directly from us, and we are currently not the only approved supplier of any Proprietary Products. We are currently not the only supplier of any other products. We may derive revenue based upon your required purchases of Proprietary Products in the future, either from direct sales or in the form of rebates or marketing allowances. We will use those funds in whatever fashion and in whatever manner we believe is best.

Alternative Suppliers – Approval Process

If you want to use or buy any non-proprietary product or service from an alternative supplier not pre-approved by us, you must request our approval in writing before using or buying the non-proprietary product or service. In some cases, we may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular non-proprietary products, but the supplier's production and delivery capability, overall business reputation and financial condition. We may inspect a proposed supplier's facilities and test its products and charge a testing fee which may range from $500 to $2,500 to cover our direct costs. We will notify you in writing within 30 days after we receive all supporting information from you and complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure.

We may re-inspect or revoke our approval of a supplier or item at any time to protect the best interests of the Pet Depot® brand. Revocation is effective immediately when you receive the written notice from us, and following receipt of our notice, you may not place any new orders for the item or with the supplier but you may use any stock on hand. We may terminate your franchise if you purchase or use unapproved products, or approved products from unapproved suppliers.

Purchasing Arrangements

We have negotiated purchasing arrangements with suppliers for the benefit of our franchisees. We may modify or discontinue these purchasing arrangements in our discretion. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers, but you may receive benefits in the form of pricing discounts and advertising support. While we may negotiate additional purchasing agreements, we have no obligation to do so for any geographic area. We derived revenues of $82,668 representing approximately 9.2% of our total income of $899,892 in the form of rebates from manufacturers and vendors as a result of required purchases by franchisees, during our fiscal year ending December 31, 2020. We may receive additional payments from other suppliers on account of their dealings with you and other franchisees in the future. We may use these payments for any purpose, including soliciting new franchise sales, without restriction unless we agree otherwise. We may condition our approval of an alternate supplier on the supplier's willingness to agree to make payments to us on account of your purchases. The rebates vary by supplier, but generally, a supplier's payment is 2% of the cost of goods sold by the supplier to our franchisees and 3% of the cost of equipment sold by the supplier to our franchisees.

One of our officers, Roman Versch, periodically owns an interest in publicly traded pet industry companies that are vendors to our stores. There are no other approved suppliers in which any of our officers owns an interest.

Insurance

You must carry insurance covering the risks and meeting the minimum coverage requirements that we set forth in this Disclosure Document and your Franchise Agreement protecting you and naming us as an additionally insured. These requirements are: comprehensive general liability – bodily injury and property damage ($1,000,000 per occurrence), including products/completed operations ($2,000,000 general aggregate); automobile liability – any owned vehicles, hired and non-owned auto liability ($1,000,000 per accident); workers compensation – comply with state and local laws. If you fail to purchase this insurance, we may obtain insurance for you, and you must reimburse us for its cost. All insurance policies must name us as an additionally insured and give us at least 30 days prior written notice of termination, amendment, or cancellation. You must also provide us with certificates of insurance proving your insurance coverage no later than 10 days before your store opens. Your coverage must include Employment Practices Liability Insurance with a co-defendant endorsement in favor of us.

Credit Cards

You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with your operation of the Store, you are required to maintain the security of cardholder data and adhere to the then-current PCI DSS (Payment Card Industry Data Security Standards), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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 The Franchise Agreement & Conversion Franchise Addendum	Section In The Area Development Agreement	Disclosure Document Item
A. Site selection and acquisition of Lease	Section II	Section 3	Items 5, 6, 7, 11
B. Pre-Opening purchases and leases	Sections V and XIII; Section 4 of Conversion Franchise Addendum	Not Applicable	Items 7, 8
C. Site Development and other pre-opening requirements	Section II; Section V; Section 4 of Conversion Franchise Addendum	Section 3	Items 6, 7, 11

Obligation	Section In The Franchise Agreement & Conversion Franchise Addendum	Section In The Area Development Agreement	Disclosure Document Item
D. Initial and ongoing training	Sections VI, XIV	Not Applicable	Items 5, 6, 7, 11
E. Opening	Section V	Section 2, Attachment A	Items 11
F. Fees	Sections IV, X, XI and XIX; Sections 2 and 3 of Conversion Franchise Addendum	Sections 2.1 and 2.2	Items 5, 6
G. Compliance with standards and policies/ Operations Manual	Sections I(C); III; V; VI; VII; VIII; XII; XIII; Section 4 of Conversion Franchise Addendum	Sections 3.1	Items 8, 11, 14, 16
H. Trademarks and proprietary information	Sections I(A); VII; IX; XIII; Section 5 of Conversion Franchise Addendum	Sections 1.3 and 4	Items 13, 14
I. Restrictions on products/services offered	Sections II; XIII	Not Applicable	Items 8, 16
J. Warranty and customer service requirements	Section XIII	Not Applicable	Not Applicable
K. Territorial Development and sales quotas	None	Sections 1.1 and 1.2; Attachment A	Not Applicable
L. Ongoing product/ service purchases	Section XIII	Not Applicable	Items 8, 11
M. Maintenance, appearance and remodeling requirements	Sections II and XIII; Section 4 of Conversion Franchise Addendum	Not Applicable	Items 6, 8
N. Insurance	Section XV	Not Applicable	Items 6, 7, 8
O. Advertising	Section X; Section 3 of Conversion Franchise Addendum	Not Applicable	Items 5, 6, 7, 11
P. Indemnification	Section XX	Section 10.4	Item 6
Q. Owner's participation, management, staffing	Section XXI	Not Applicable	Item 15
R. Records and reports	Section XII	Not Applicable	Items 8, 11
S. Inspections and audits	Section XIV	Not Applicable	Items 6, 11, 13
T. Transfer	Section XIX	Section 5	Items 6, 17
U. Renewal	Section III(B)	Not Applicable	Item 17
V. Post-termination obligations	Section XVIII	Sections 7 and 10	Item 17
W. Non-competition covenants	Section XVI	Section 8	Item 17
X. Dispute resolution	Sections XXI and XXII	Section 11	Item 17
Y. Security Interest	Section XI	Not Applicable	None

ITEM 10
FINANCING

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

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

Except as we list below, Labrador Franchises, Inc. is not required to provide you with any assistance.

Before you open your Pet Depot® Store or Hospital, we will provide you with the following assistance:

1. After you complete your initial training program, we will loan you one copy of the Operations Manual, which contains mandatory and suggested specifications, standards and operating procedures. The Operations Manual is confidential and remains our property and you must return your copy when your last Franchise Agreement expires or terminates. If you lose any portion of the Operations Manual, you must pay $2,000 to replace it. We may modify the Operations Manual by written supplements of which you will receive copies. (**Franchise Agreement, Sections VIII (A), (B) and (C)**). You must operate your Franchised Business in compliance with the terms of your Franchise Agreement and the Operations Manuals. You alone will exercise day-to-day control over all operations, activities and elements of the Franchised Business, including over your employees. Under no circumstance will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of the Pet Depot System with which you must comply under the Franchise Agreement and the Operations Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your Franchised Business consistent with our policies. (**Franchise Agreement, Section XIII (A**).

2. We will provide you with a standard set of prototype plans and specifications for the design, appearance and leasehold improvements of a typical Store and/or Hospital, together with standard décor and interior layout plans (**Franchise Agreement, Section V (A)**). You may be required by local city codes to submit your architectural plans in order to obtain a building permit at your expense. You must conform to our standard prototype plans to the specific dimensions of the site we approve, at your sole expense, retain competent architectural, design and contracting services that we approve, and supervise store build-out, at your expense. (**Franchise Agreement, Section V (A)**).

3. After you sign your Area Development Agreement or Franchise Agreement, we will provide you with our written site selection criteria that considers important demographic and physical characteristics for a Store, including population size, age and income level, neighboring and adjacent retail tenants, store size, layout, existing condition and adaptability for retail use. (**Franchise Agreement, Section II (A)**). Road visibility, traffic patterns, parking and access issues, foot traffic, availability of outdoor patio seating and proximity of other Pet Depot® businesses or competitors serving the same market area will also be considered in approving a site. We do not select your site. You must select your site. At the time you sign each Franchise Agreement under an Area Development Agreement, you will be required to locate the site for your Pet Depot Store, but we must approve the site and our then current standards for Pet Depot Stores will apply. We will not approve any site that does not meet our site selection criteria. We must provide you with our rejection or approval of a site within 21 days after our receipt of all available information regarding a proposed site. (**Franchise Agreement, Section II (A); Area Development Agreement, Section 3.3)**. After you sign your Area Development Agreement and select an approved site for your Store or Hospital, we will provide you with our

current Franchise Agreement for you to sign. (**Area Development Agreement, Section 3.3)**. If you purchase a Conversion Franchise, we will approve or reject your site for your independently-owned pet shop before you sign our Franchise Agreement. If you are leasing a site for your Pet Depot Store and/or Hospital, you must submit your proposed lease to us to allow up at least 15 days to confirm the required provisions in Section V(C) of the Franchise Agreement have been included in the lease and/or that you and your landlord have executed an Lease Assignment Agreement (**Exhibit E**) in the form we specify and must provide us with a fully signed copy. (**Franchise Agreement, Section V(B)(2)**).

4. After we receive your written site proposal, we may visit the site at our expense if we reasonably believe that physical inspection of the demographic conditions of the area, or the proposed site, is necessary or desirable to evaluate your proposal. We will have 21 days following receipt of your completed site proposal to complete any site visit that we choose to make and approve or disapprove the proposed site in writing. (**Franchise Agreement, Section II (A); Area Development Agreement, Section 3.5)**.

5. After you sign the Franchise Agreement, we schedule Phase I through III Training, which we describe as Classroom Training and In-Store Training (**Franchise Agreement, Section VI (A)**). You must attend the training and if you plan on having a supervisorial or managerial team help oversee and operate the Store or Hospital, you must send at least 1 other supervisorial or managerial person to training before the opening of your Store or Hospital. (**Franchise Agreement, Section VI (A)**).

6. We will send a company representative, at a mutually scheduled time for Phase III through V Training, which we provide at your Store or Hospital before it opens for business. (**Franchise Agreement, Section VI (A)**). Phase III and IV Training assists you and your opening staff with merchandise display, training of your opening staff and other operating details to prepare for opening. Phase V training includes the review of procedures and supplementary training tools to assist you with operations issues and to grow your business.

7. We create and place advertising for your Grand Opening advertising program and pay for the same with your grand opening advertising budget. (**Franchise Agreement, Section X (B)**).

8. We may provide any or all portions of the Initial Training Program (Phase I through V Training), additional training programs and/or pre-opening on-site opening assistance remotely over a virtual communication platform designated by us. (**Franchise Agreement, Section XI (E**)).

9. All of our obligations listed in Sections 1 – 3 and 5 – 8 above will apply to a Conversion Franchise under the Franchise Agreement that you will sign when you sign the Conversion Franchise Addendum. In addition, if you will operate a Conversion Franchise, we will provide you with a schedule of the maintenance, renovations and remodeling necessary to convert your independently owned pet store to a Store. (**Conversion Franchise Addendum, Section 4**).

We may delegate certain of these responsibilities to agents.

During the operation of your Pet Depot Store or Hospital, we will provide you with the following assistance:

1. We will provide regular consultation and advice in response to your inquiries about specific administrative and operating issues regarding your performance or specific Store or Hospital that you own. (**Franchise Agreement, Section XIV (A)**). We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i)

employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at your Franchised Business for which we have not established Pet Depot Approved Suppliers, (**Franchise Agreement, Section XIV(A**)). In our discretion, we decide how best to communicate our consultation and advice, whether by telephone, fax, email, in writing, or in person. The method we choose in your case may be different than the methods we use for another franchisee. If you request, and we agree to provide additional on-site assistance after you finish with Phase II Training and the opening of your Store or Hospital, you must pay us our then-current per diem fee in the Operations Manual and reimburse us for our reasonable expenses in providing transportation, lodging, meals, personal charges and rental cars. (**Franchise Agreement, Section XIV (A)**).

2. We will periodically designate additional Proprietary Products and non-proprietary products that you must stock and promote. (**Franchise Agreement, Section XIV (D)**).

3. In addition to our Phase I Training, which we periodically repeat, we will offer advanced and refresher training courses to supervisorial or managerial personnel at Stores, Hospitals or other locations which we will designate. (**Franchise Agreement, Section VI (B)**). These locations may be near to our headquarters. We may delegate these responsibilities to our agents. For these additional training programs, we charge a per person training fee of $300 per day. While we may make attendance of certain of your employee's mandatory at certain additional training sessions, we will not require more than 2 persons to attend more than 3 days of additional training each per 12 months. (**Franchise Agreement, Section VI (B)**).

4. We may conduct an annual meeting of franchisees to address our Proprietary Product line, industry trends, recently implemented changes in the Pet Depot® System and other topics of common interest to our franchisees. Those topics might include customer relations, advertising, new products, personnel administration, and local promotions. (**Franchise Agreement, Section XIV(C)**). We will determine the length and location of the annual meeting and may require you to attend, your Certified Trainers or other persons we designate to attend it, but the length of the annual meeting will not exceed 4 days and or we will not require attendance by more than 2 persons. We select the annual meeting location each year, which may vary from year to year. We will not charge you a fee to attend these meetings but you will have to pay all travel, meals and lodging expenses for you and your employees. (**Franchise Agreement, Section XIV(C)**).

5. We will review your request to use or sell non-proprietary products not already approved by us or to purchase non-proprietary products meeting our specifications from a supplier not on our recommended list. (**Franchise Agreement, Section XIII(C)**).

6. We will visit your Store and/or Hospital at no additional expense to you to inspect your operations, observe and confer with your supervisorial or managerial personnel and review your books and records in order to verify your compliance with the Franchise Agreement and the Operations Manual. (**Franchise Agreement, Section XIV (B)**).

7. We will administer the Marketing Fund that we describe elsewhere in this Item 11 and approve advertising that you create. (**Franchise Agreement, Section X (A, C)**).

8. We will periodically revise the Operations Manual to incorporate new developments and changes in the Pet Depot® System, and will provide you with a copy of all updates. (**Franchise Agreement, Section VIII (B)**).

9. We supervise the Pet Depot® gift certificate and frequent shopper programs. Under the frequent shopper program, you must provide discounts on retail sales to customers who present our frequent shopper identification cards. Under our gift certificate program, you will purchase from us, and offer for sale to your customers, Pet Depot® gift certificates that your customers may redeem at any Store or Hospital. You must honor the gift certificates if a customer presents them for products. You may not issue, redeem or otherwise authorize any other gift certificates, except those that we approve of in advance in writing. (**Franchise Agreement, Section XIII (I)**).

10. If we determine it to be necessary, we may provide you or your supervisorial or managerial personnel with on-site remedial training subject to the availability of our personnel. For these remedial training programs, we charge a per person training fee of $300 per day (**Franchise Agreement, Section VI (C)**).

11. We may now or in the future establish a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Manuals or otherwise in writing. (**Franchise Agreement, Section XIV (E)**).

12. We may provide all or any portions of the additional training programs, remedial training, post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by us. (**Franchise Agreement, Section XI (E)**).

All of our obligations listed in Sections 1 – 12 above will apply to a Conversion Franchise under the Franchise Agreement that you will sign when you sign the Conversion Franchise Addendum.

We may delegate these responsibilities to our agents.

Advertising Services

1. **Marketing Fund**

We deposit all Advertising Fees into the Marketing Fund, which we administer for the benefit of all Stores and Hospitals. (**Franchise Agreement, Section X(C)**). In the fiscal year ended December 31, 2020, the following percentages of advertising expenditures were made by Pet Depot in the areas described below:

Category	Percentage of Expenditure
Administrative Fee	3.1%
Production	44.0%
Media Placement	48.3%
Other (Software, web services, tradeshows)	4.6%
Total Advertising Expenses	**100%**

Any surplus would have been carried over to next year's Marketing Fund expenses.

None of the proceeds of the Marketing Fund collected from franchisees to solicit new franchise sales. As the administrator, we direct all advertising and marketing programs and have sole discretion over all creative concepts, materials and endorsements and the geographic, market and media placement of all programs. We do not promise that we will spend the Marketing Fund in any given geographic region or that

the benefits you receive will be in proportion to your contributions. Any portion of the Marketing Fund which is not spent during the fiscal year in which it accrues will be spent during the following year. (**Franchise Agreement, Section X(C)**).

b. We may terminate, and resume, the Marketing Fund periodically during your franchise term, however, any decision to terminate or resume the Marketing Fund will apply to all franchisees equally. We will not terminate the Marketing Fund before making arrangements to spend or rebate any balance in the Marketing Fund after payment of all expenses. If we resume the Marketing Fund, we will collect Advertising Fees at the rate specified in your Franchise Agreement at that time. (**Franchise Agreement, Section X(C)**).

c. We may use the Marketing Fund to pay for the cost to prepare and produce advertising materials, newsprint and flyers, purchase media space or time, administer local, regional and national advertising programs, including buying direct mail and other media advertising. We may conduct electronic advertising to promote the Pet Depot® System. We may prepare advertising in house and we may employ advertising firms, public relations firms, market research companies and other advertising and marketing companies and external support as required. We currently maintain an in-house team of advertising and web development production personnel to design, implement and order printed and electronic advertising for distribution. We may use the Marketing Fund to furnish our franchisees with sample marketing, advertising and promotional formats and materials like artwork, radio and television commercials. It might include musical jingles, print advertisements, point of sale materials, outdoor advertising art, direct mail pamphlets and literature and electronic listings in white and yellow page websites in our discretion. We may upon your request, make multiple copies of Marketing Fund materials at your expense. Our website will identify all Stores and Hospitals by street address. (**Franchise Agreement, Section X(C)**).

d. We will charge the Marketing Fund for our cost of maintaining a toll-free telephone number and system-wide Intranet. (**Franchise Agreement, Section X(C)**).

e. We keep the Marketing Fund separate from our other funds. Out of the Marketing Fund, we may pay ourselves for the direct costs, salaries, travel expenses, administrative costs and other direct overhead we incur to administer the Marketing Fund expenses to collect Advertising Fees from delinquent franchisees, costs to develop and sign specific marketing and advertising programs, costs to attend trade shows or vendor locations to negotiate advertising and product purchasing agreements and costs to fund the annual meeting of franchisees if we elect to hold one. Upon request, we will prepare an annual accounting of the Marketing Fund and will distribute it to our franchisees, once a year that will state the total amount of money collected and spent by the Marketing Fund during the previous year and list, by general category, the manner in which we spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of our books. In any given year, we may spend more or less than the total amount we collect for that period. We treat interest paid on Marketing Fund balances as additional Marketing Fund revenue. You authorize us to collect and deposit in the Marketing Fund any advertising or promotional monies or credits that an authorized supplier pays on account of your purchases. (**Franchise Agreement, Section X(C)(6)**).

f. If we or our affiliates own any Affiliate Owned & Operated Stores, our Affiliate Owned & Operated Stores make a contribution to the Marketing Fund identical to your contribution to the Marketing Fund. (**Franchise Agreement, Section X(C) (9)**).

2. **Local Advertising**

If you create your own advertising materials, you may not use them without first submitting them to us for our approval. As a condition to our approval, you must permit us, the Marketing Fund and other franchisees that we authorize to use these materials without compensation to you. To apply for our approval, you must submit a copy or transcript of the materials in the exact form you intend to use them. We have 15 business days to review your request. If you do not receive our written approval within 15 business days, that means we do not approve your materials. If you use the materials that we do not approve of, that will constitute a material default in your franchise agreement which may result in the termination of your Franchise Agreement. If you use materials that we approve, you must use them in the exact form that you submit them to us. Additionally, you must maintain, at your expense, white and yellow page listings for your Store and/or Hospital in one or more telephone directories which cover the area code in which your Store and/or Hospital is located. (**Franchise Agreement, Section X (A)**). All telephone directory advertising must conform to our specifications and is subject to our prior approval.

3. **Special Local Advertising Reimbursement Program**

We may grant you the right to receive reimbursement from the Marketing Fund for your actual paid expenditures for pre-approved local marketing programs that you use at the store, up to a maximum amount we establish, until we terminate the special local marketing reimbursement program. As of the date of this Disclosure Document, 100% of all contributions are allocated to the Marketing Fund and 94% of all contributions are allocated to local advertising under this reimbursement program. If you are current in the payment of your obligations to us and our affiliates, in all respects, we may grant you the right to receive reimbursement from the Marketing Fund for your actual paid expenditures for local marketing programs which we have pre-approved in the manner provided for in **Section X(A)(1)** of the Franchise Agreement and which you have used for the benefit of the store, up to a maximum amount we established, but not to exceed the amount you have paid into the Marketing Fund, until we terminate the special local marketing reimbursement program. Within 30 days after the end of each calendar year following the institution of a special local marketing reimbursement program, you must provide us with copies of all invoices, statements, canceled checks or other forms of payment which you have issued during the preceding calendar year which document your expenditure and payment for the pre-approved local marketing programs. We will review the documentation of these expenditures and, if they are satisfactory, cause the Marketing Fund to reimburse you, within 60 days, for your expenditures, up to the maximum percentage of the advertising fee you paid to the Marketing Fund during the preceding calendar year, as we establish in our sole and absolute discretion. During the period of time that a special local marketing reimbursement program is in effect, we will utilize the balance of the Marketing Fund for the development of institutional brand advertising and promotion programs. If you are entitled to reimbursement from the Marketing Fund for pre-approved local marketing programs utilized for the benefit of the store during the preceding calendar year and fail to make application for reimbursement within 60 days after the end of each calendar year, we may, upon giving you 30 days prior written notice, disburse the full amount of your potential local advertising reimbursement to the Marketing Fund. If we make a disbursement, you will no longer have any right to reimbursement for advertising expenditures for that calendar year. We may terminate a special local marketing reimbursement program with 90 days prior notice. (**Franchise Agreement, Section X (D)**).

4. **Grand Opening Advertising**

You must spend $8,000 on Grand Opening advertising and promotion for your Pet Depot Store or Hospital. (**Franchise Agreement, Section X (B)**). This obligation is in addition to the contributions you must make to the Marketing Fund or to any Local Advertising Cooperative. You must deliver to us, upon our

demand prior to your Grand Opening, a check for $8,000 so we can coordinate your Grand Opening advertising and promotion.

5. **Website**

You may not establish a Website on the Internet using any domain name containing the words "Pet Depot" or any variation thereof. (**Franchise Agreement, Section II (B) (f))**. We retain the sole right to advertise on the Internet and create a Website using the "Pet Depot" domain name. You acknowledge that we are the owner of all right, title and interest in and to these domain names. We retain the right to pre-approve your use of linking and framing between your Web pages and all other Websites. If we request, you must, within 5 days, dismantle any frames and links between your Web pages and any other Websites. If you operate a Conversion Franchise, we may permit you to continue to operate a website you operated as an independent pet store operator, in our discretion, provided that you assign ownership of the domain name and URL to us, permit us to administer your website and sales conducted on your website, at your expense, and pay us continuing royalty fees and marketing fees on these sales (**Conversion Franchise Addendum, Section 5**).

We have the sole right to market on the Internet and use the Pet Depot® Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Pet Depot® Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Pet Depot® Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Pet Depot® Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify from time to time. (**Franchise Agreement, Section VII**).

6. **Advertising Council**

We have established a retail advertising council (the "**Retail Advisory Board**") composed of select franchisees that advise us on advertising policies. Members of the Retail Advisory Board are selected based on their region and on their participation with advertising sponsors. The Retail Advisory Board members serve in an advisory capacity only, and have no operational or decision-making power. We have the power to form, change or dissolve the Retail Advisory Board in our sole discretion. (**Franchise Agreement, Section X (F)**).

7. **Cooperatives**

We have not established and do not require you to participate in a local or regional advertising cooperative and do not have the power to require any advertising cooperatives to be formed, changed, dissolved or merged and there is no provision in the Franchise Agreement for advertising cooperatives.

All of our obligations listed under Advertising Services above will apply to a Conversion Franchise under the Franchise Agreement that you will sign when you sign the Conversion Franchise Addendum.

Site Selection Criteria

We typically consider the following criteria in approving locations for the Store or Hospital.

a. Foot traffic
b. Vehicular traffic
c. Security of the area
d. Income of the area
e. Visibility and exposure
f. Rental rates
g. Lease terms
h. Placement of a particular site within a development
i. Competitors in the area
j. Convenient ingress and egress
k. Square footage
l. Lighting
m. Population of area
n. Age of population in area
o. Market conditions
p. Compatibility of adjacent tenant mix
q. Proximity to other Stores
r. Demographics
s. Image of center and area
t. Amount of daytime (businesses in the area) and nighttime (residential) population in the area.

Typical Length of Time to Open Retail Location

Typically, the time you sign your Area Development Agreement and/or Franchise Agreement to the time you open your Store or Hospital can be from 3 to 12 months, depending on the lending environment. Conditions that affect your ability to open a Store or Hospital are:

a. Available real estate
b. Permitting
c. Lease negotiations
d. Leasehold improvement time
e. Loan processing
f. Training
g. Fulfilling all pre-opening obligations
h. Zoning
i. Getting bids for the construction of the store
j. Being registered in certain states with the Disclosure Document
k. Approval by the Health Department, Fire Department, Building and Safety and any local city or county approvals that are required
l. Changes in code that restrict opening a store
m. Availability of materials to build the store

We have 21 days following our receipt of your completed site proposal to complete any site visit that we choose to make and to approve or disapprove the proposed site. (**Franchise Agreement, Section II (A) (2)**).

If you propose more than one site, we need only approve one site, or we may disapprove all proposed sites. Our failure to give timely notice of approval will be our disapproval of all sites you proposed. You must obtain an approved site for your Store or Hospital, complete construction of your Store or Hospital and our initial training program and open for business to the public within 12 months after signing your Franchise Agreement, or we may terminate the Franchise Agreement. (**Franchise Agreement, Sections V and XVII**). If we terminate your Franchise Agreement for these reasons, you are not entitled to a refund of any fees or other payments you have paid us. (**Franchise Agreement, Section IV (A)**). If you purchase a Conversion Franchise, we will approve or reject your site for your independently-owned pet shop before you sign our Franchise Agreement. Typically, the time you sign your Franchise Agreement and Conversion Franchise Addendum to the time you begin to operate your independently-owned pet store as a Store can be from 3 months to 9 months.

Computer Systems; Electronic Cash Register

You must purchase and use in operating your Store and/or Hospital a computer POS retail bundle that includes an office server and a point-of-sale (**"POS"**) system with network capacity and 2 POS cash registers that we approve. (**Franchise Agreement, Section XIII (F)**). Our hardware and cloud-based software specifications for our approved POS system are described in the Operations Manual and include 3 PC's (typically HP or Dell based), a generic bar code printer, bar code scanners, a coupon printer, laser printer, receipt printer, UPC scanner and computer monitors and the Microsoft Windows 10 operating system, Intuit QuickBooks Pro, and Microsoft Office, along with The General Store for retail or Vetter Veterinary Practice Management System software for veterinary operations. The General Store POS IPAD system, General Store Multistore software is supplied through Crichlow Data Sciences, Inc., 926 E. Oleander St., Lakeland, Florida 33801, Telephone (863) 616-1222.

The approximate cost of the computer and POS system is $12,000 to $20,000. We may specify different hardware and software in the future, including proprietary software that we develop exclusively for the Pet Depot® System. There are no contractual limitations in the frequency or cost of upgrades or changes in the hardware systems and software programs we may impose. We estimate these costs will be $5 to $25 per upgrade. (**Franchise Agreement, Section XIII (F)**).

You must purchase the POS system from our approved supplier and pay for annual telephone support, which is $149 per month as of the date of this Disclosure Document. This POS System is an upgrade from our POS System that was used by the Operating Companies and our franchisees for 10 years. Vetter Practice Management System software has varying annual maintenance fees depending upon the type you select and can cost from $150-$350 per month for software support, back up and hardware support.

You must pay for all costs to install the POS system and to train your employees in using the POS system. (**Franchise Agreement, Section XIII (F)**). You will use the POS system as a cash register system, a customer data system, an inventory system, an employee payroll and time maintenance system and a daily sales reporting system. You must have an Internet connection for the purpose of implementing, transmitting, collecting and maintaining the POS system and communicating sales and back-office data to us electronically. You must maintain a dedicated telephone line, and if we require a DSL line, and modem that permits on-line communication between your computer system and our computer systems, and our independent access to, and retrieval of, data from your computer and cash register systems. (**Franchise Agreement, Section XII(C)**).

All of our obligations listed under Computer Services above will apply to a Conversion Franchise under the Franchise Agreement that you will sign when you sign the Conversion Franchise Addendum.

Training:

Our initial training program begins after you sign the Franchise Agreement and before you open your store. Phase I Training takes place at the franchisor's corporate headquarters located in Southern California and consists of approximately 40 hours. Phase II-III Training takes place at one of the other on-site locations listed below, consist of approximately 45 - 91 hours and follow Phase I Training. We are not obligated to provide the Initial Training Program if you or any of your affiliates (or an owner of either) currently owns or operates a Pet Depot Store or if the Franchise Agreement is signed as a renewal Franchise Agreement. **(Franchise Agreement, Section VI (A)**.

TRAINING PROGRAM

STORE TRAINING PROGRAM

Phase I Through III Training	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
OPERATIONS	6	4-8	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
POS SYSTEM	4	10-20	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
LABOR AND PRODUCT COST	1.5	1-2	Regional training locations, at company-operated Stores located in Southern California, t approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
EMPLOYEE SCHEDULING	.5	0 -.5	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
CUSTOMER SERVICE	2	1-2	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or Hospital or through a virtual communication platform.
PHILOSOPHY AND CULTURE	.5	0-.5	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
COST CONTROLS	1	0	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.

Phase I Through III Training	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
ORDERING AND RECEIVING SUPPLIES	6	3-6	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
HIRING AND TRAINING EMPLOYEES	3	0	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
MERCHANDISING AND IN-STORE PROMOTION	3	4-8	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
PREPARING TO OPEN	.5	2-4	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
BOOKKEEPING	3	0	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
TRAINING YOUR EMPLOYEES	1.5	2-4	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
PRE-STORE MARKETING	1	1-2	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
CUSTOMER SERVICE TRAINING	2	3.5-7	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
CLEANLINESS STANDARDS	1	1.5-3	Regional training locations, at company-operated Stores located in Southern California, an approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
PRODUCT HANDLING	2	8-16	Regional training locations, at company-operated Stores located in Southern California, a t approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
INVENTORY CONTROL	2	4-8	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Store or through a virtual communication platform.
TOTAL	40.5 hours	45-91 hours	The actual time spent at your Store will vary depending upon the size of your Store.

Phase IV Training	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
PREPARING FOR GRAND OPENING	0	40	Regional training locations, at company-operated Stores located in Southern California, at approved Pet Depot® Franchised Businesses owned by other franchisees and at your Pet Depot® Franchised Business or through a virtual communication platform.
TOTAL	0	40	

Phase V Training	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
POST-OPENING TRAINING	0	As needed	At your Store or through a virtual communication platform.

HOSPITAL TRAINING PROGRAM

Veterinary Operations	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
ADMINISTRATIVE, EQUIPMENT, VENDOR RELATIONS, STAFFING PROTOCOL AND GENERAL BUSINESS OPERATIONS (WE DO NOT OFFER MEDICAL TRAINING FOR DOCTORS OF VETERINARY MEDICINE)	0	As needed	At your Hospital or through a virtual communication platform.

All training will be provided by Roman Versch, Mark Lanza and Corrie Warren. Our trainers have between 7 and 17 years of experience with the company and experience relevant to the subjects taught.

The instructional materials are contained in our Operations Manual. The Table of Contents of the Operations Manual is attached to this Disclosure Document as **Exhibit F**. There are 156 pages in the Operations Manual.

We intend to use certified and trained franchisees to open stores whenever possible.

Your initial training will be held at regional training locations, at company-operated Stores, at approved Pet Depot® Franchised Businesses owned by other franchisees and/or at your Store or Hospital. Our initial training programs are provided as needed. (**Franchise Agreement, Section VI (A)**). We reserve the right to modify the initial training program at any time. You and your trainee must successfully complete our initial training program to our satisfaction. At a minimum, 2 supervisorial or managerial personnel from your company must successfully complete both Phase I through Phase III Training to our satisfaction before you open your Store or we can terminate your Franchise Agreement. (**Franchise Agreement, Section VI (A)**). We will provide you and 1 other supervisorial or managerial person with our initial training program before you

open your Pet Depot Store for business. There is no additional charge for our initial training of 2 supervisorial or managerial personnel; however, if you request us to provide our initial training program to any additional trainees, we will charge you a $500 additional training fee for each additional trainee attending a scheduled training program. You will have to pay all travel, meals and lodging expenses for you and your employees who attend the initial training program. (**Franchise Agreement, Section VI (A)**).

We may not require you to attend any off-site training and/or Phase I through Phase III Training if you operate a Hospital. If you operate a Hospital, you will use a hospital practice management software program called Vetter. A third party on-site training program from Vetter is available with the purchase of your practice management hardware/software purchase. You are not required to purchase this training if you are already familiar with the operation of the most recent version of Vetter. The Vetter practice management system software may be sufficient for training you and your staff. We do not offer medical training for doctors of veterinary medicine other than administrative training related to Hospital administration, equipment, vendor relations, staff protocol and general business operations. We do employ an experienced veterinarian for consultation on medical issues, but you must make all final decisions on any medical treatments of your client's pets.

We intend to periodically offer advanced refresher training programs and may require all Certified Managers or other supervisorial or managerial personnel that we designate to attend specific training programs. (**Franchise Agreement, Section VI (B)**). As the need develops, we may offer special training if we introduce new Proprietary Products, services, or programs or to address particular aspects of the Pet Depot® System including the Pet Depot® Proprietary Product line, inventory management, supplier relationships, employee relations and financial record keeping. We may require that you and other supervisorial or managerial personnel that we designate attend specific additional training programs, but we will not require that more than 2 persons each complete more than 4 days of additional training during any 12-month period of time. We intend to conduct all continuing training courses at an operating Store or other facility that we designate, or in conjunction with any regional or national franchisee meetings. We will not charge you a fee to attend these meetings but you will have to pay all travel, meals and lodging expenses for you and your supervisorial or managerial personnel to attend training. (**Franchise Agreement, Section VI (B)**).

We may provide all or any portions of the Initial Training Program (Phase I through V Training), additional training programs, remedial training, post-opening on-site opening assistance and/or post-opening consultations remotely over a virtual communication platform designated by us.

All of our obligations listed under Training above will apply to a Conversion Franchise under the Franchise Agreement that you will sign when you sign the Conversion Franchise Addendum.

ITEM 12
TERRITORY

Franchise Agreement and Conversion Franchise Addendum

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

We may open another Pet Depot® business wherever we choose regardless of its proximity to your Franchised Location. Furthermore, the franchise rights that we grant to you are non-exclusive and do not confer any preferential right to serve particular customers

Your Franchised Location will be described on **Attachment A** to the Franchise Agreement. You do not have any options, rights of first refusal or similar rights to acquire additional franchises within contiguous territories. You will not receive an exclusive territory.

You may not operate or relocate the Pet Depot® Franchised Business from any location other than the Franchised Location without our prior written consent. If there is a lapse in relocation, we reserve the right to estimate and bill you for continuing Royalty Fees for the time period that your Store or Hospital resumes operations based on the average amount paid by you during the 2 calendar quarters immediately preceding the date that operations cease plus an additional 10% or if you have not been in operation for the past 2 calendar quarters, the average Royalty and Advertising Fees during the time period that you have been in business plus an additional 10%.

We and our affiliates reserve all other rights to use the Pet Depot® Marks and the System for all purposes, including but not limited to:

a. The absolute right to distribute any and all Non-Proprietary Products and Proprietary Products using the Pet Depot® Marks through all channels of trade and distribution, regardless of whether (i) the channel of distribution now exists or is developed after the Effective Date; or (ii) the Non-Proprietary Products or Proprietary Products are now, or in the future, authorized for sale at Pet Depot® Franchised Businesses.

b. We may directly or indirectly, itself or through our affiliates, licensees, franchisees, assignees, agents and others:

(1) Produce, license, distribute, market and sell products and services of any kind, including, without limitation, Proprietary Products, through other retail and wholesale channels of distribution, including, without limitation, by means of electronic communication, the Internet, mail order catalogues, direct mail advertising, and comparable methods that solicit business from customers by means not requiring a physical transaction at a retail or wholesale location;

(2) Produce, license, distribute, market and sell products and services of any kind, including, without limitation, Proprietary Products, from supermarkets, health food stores and other wholesale and retail food stores owned by third parties that are not licensed to do business under the Pet Depot® Marks;

(3) Operate other kinds of businesses under the Pet Depot® Marks that do not feature pet services, pet food, veterinary services, pet grooming services, Proprietary Products, or other products and services similar to those now, or in the future, featured at Pet Depot® Franchised Businesses;

(4) Operate other retail and wholesale concepts under trade names dissimilar to the Pet Depot® Marks that compete with Stores or Hospitals, including retail and wholesale businesses that feature pet services, pet food, pet food home delivery services, Internet ordering, veterinary services, pet grooming services, or other products and services similar to those now, or in the future, featured at Stores or Hospitals;

(5) To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Pet Depot® Marks and the System, including, without limitation, toll-free "1-800," "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets,

shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers and military bases; and

(6) To allow customers to purchase services and products from us and our affiliates or designees over the Internet, or in other alternative channels of distribution. You must obtain our prior written consent before you advertise or market your Store or Hospital through the Internet, other forms of electronic media (including social technology, social media and social networking platforms), catalog sales, telemarketing or other direct marketing. We retain all rights with respect to alternative channels of distribution. You have no right to distribute products or share any of the proceeds received by us if we sell products through alternative channels of distribution, regardless of whether the sale is made or originates near your Franchised Location.

We are not required to pay you if we exercise any of the rights specified above.

You are not subject to any minimum sales quota or other kind of sales or market penetration contingency. The Franchise Agreement does not give you a right of first refusal or any preferential right to acquire additional franchises. You may not engage in wholesale sales of any kind without our prior written permission. "**Wholesale sales**" includes the sale or distribution of merchandise or products to a third party for resale, retail sale or other method of distribution. You do not have the right to use other channels of distribution to make sales outside your Franchised Location.

Area Development Agreement

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

If you sign an Area Development Agreement, you may develop and open a specified number of Pet Depot Franchised Businesses within the Development Area. Typical Development Areas will be geographical territories such as cities, counties and states and other areas defined by boundaries such as streets and highways. We must approve each proposed site. The term of the Area Development Agreement begins when the Area Development Agreement is signed by us and terminates on the date specified in the Area Development Agreement for the opening of the last Pet Depot® Franchised Business required to be developed, unless sooner terminated. We will determine or approve the location of each Pet Depot Store under the Franchise Agreement at the time each Franchise Agreement is signed, and our then-current standards for approving sites will apply.

The development rights under the Area Development Agreement may or may not be exclusive depending on the location of the proposed Area. We may not grant exclusive development rights in geographical territories that we may target in our business plan. These geographical territories will include metropolitan areas and high traffic zones where we may intend to maximize the development and franchising of additional Pet Depot® Franchised Businesses. Even if you are granted exclusive development rights, we may continue to operate any Stores and or Hospitals located within the Development Area before the date of the Area Development Agreement. Your territorial rights are also subject to any prior territorial rights of other franchisees, whether or not currently enforced.

We and our affiliates retain the right to:

(1) Own, acquire, establish, and/or operate, and license others to establish and operate, Pet Depot® Stores within or outside the Development Area, if you do not have an exclusive Development Area.

(2) Own, acquire, establish and/or operate, and license others to establish and operate, other businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from a Pet Depot® Store, at any location within or outside the Development Area.

(3) Sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, any products or services which bear any proprietary marks, including the Pet Depot Marks, whether within or outside the Development Area.

(4) Produce, license, distribute and market Pet Depot® Store branded products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to the Franchised Businesses), at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods.

(5) Operate other retail and wholesale concepts under trade names different from the Pet Depot Marks that compete with Pet Depot Stores, including retail and wholesale businesses that feature pet services, pet food, pet food home delivery services, Internet ordering, veterinary services, pet grooming services, or other products and services similar to those now, or in the future, featured at Pet Depot Stores.

(6) Own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Pet Depot Marks and the System, including, without limitation, toll-free "1-800," "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers and military bases.

In addition to the requirement that you comply with all of the terms of the Area Development Agreement, continuation of your development rights is contingent upon: (a) opening the number of Pet Depot® Franchised Business as required by the Area Development Agreement; (b) licensing each Pet Depot® Franchised Business by signing our then-current standard Franchise Agreement for each Pet Depot® Franchised Business; and (c) satisfying all financial and operational criteria then in effect at the time of executing each Franchise Agreement. If you fail to do so, we can terminate the Area Development Agreement and all rights granted to you under the Area Development Agreement; accelerate or decelerate your Development Schedule; reduce your minimum development obligation; eliminate or diminish your exclusive or non-exclusive development rights with respect to the Development Area or the size of the Development Area; or increase the Initial Franchise Fee for any additional Pet Depot® Franchised Businesses you open in your Development Area. An increased Initial Franchise Fee will not exceed the then-current initial fee we charge for a single Pet Depot Franchised Business. You do not have any options, rights of first refusal or similar rights to acquire additional franchises within contiguous territories.

You do not have the right to use other channels of distribution to make sales outside your Development Area.

General

As indicated in Item 1 of this Disclosure Document, Labrador II currently owns and operates two Stores and two Hospitals. The Operating Companies may also acquire other pet shop businesses in the future.

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future, without first obtaining your consent. Present and/or future pet shops, as well as other channels of distribution, may be located in close proximity of your Store and/or Hospital, may sell the same or similar products and services, and may compete with your Store and/or Hospital. We and our affiliates have retained all rights to operate other retail and wholesale concepts under trade names dissimilar to the Pet Depot® Marks that compete with Stores or Hospitals, including retail and wholesale businesses that feature pet services, pet food, veterinary services, pet grooming services, or other products and services similar to those now, or in the future, featured at Stores or Hospitals; and to own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Pet Depot® Marks and the System, including, toll-free "1-800," "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers and military bases.

ITEM 13
TRADEMARKS

Labrador II has registered the following principal marks on the Principal Register of the United States Patent and Trademark office ("**USPTO**") which will be used by the Pet Depot® System:

Mark	Registration/Serial Number	Registration Date
	2,807,354	1/20/2004 Renewed: 2/7/2014
PET DEPOT	2,888,752	9/28/2004 Renewed: 2/8/2014
Where Pets Come First!	86,909,030	2/16/2016

Labrador II has registered the following principal marks on the Supplemental Register of the USPTO which will be used by the Pet Depot® System:

Mark	Registration Number	Registration Date
Proactive Healthcare for Pets	5,608,867	11/13/2018

LFI has registered the following principal marks on the Principal Register of the USPTO which will be used by the Pet Depot® System:

Mark	Registration Number	Registration Date
DOGGIE TUNEUP	2,645,740	11/5/2002 Renewed: 10/6/2012
	4,360,187	7/2/2013
	4,589,789	8/19/2014
	4,795,684	8/18/2015

Labrador II has applied for registration of the following principal marks on the Principal Register of the USPTO which will be used by the Pet Depot® System:

Mark	Serial Number	Filing Date
Natural Pet Food Headquarters	88,944,122	6/2/2020

Labrador II does not have a federal registration for the above trademark with Serial Number 88,944,122. Therefore, this trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to alternative trademarks, which may increase your expenses.

Your right to use the Pet Depot® Marks is subject to strict rules. You may not use any portion or feature of the Pet Depot Marks in your corporate, fictitious or other business entity name or with any prefix, suffix or other modifying words, terms, designs, colors or symbols. You may not use the Pet Depot Marks to sell any unauthorized products or services, in a manner contrary to our instructions, or in any manner that could result in our liability for your debts. When you use the Pet Depot Marks, you must apply the special notices of registration that we designate. LFI and Labrador II have filed all required affidavits.

We are not aware of any (i) currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; (ii) pending, infringement, opposition or cancellation proceedings; or (iii) pending material litigation, involving any of the Pet Depot Marks. There are no infringing or prior superior uses that our trademark attorney has informed us of, or that the USPTO has informed us of, or that we know of that could materially affect your use of the Pet Depot Marks. However, it is possible that the name "Pet Depot" has been used by others in the pet store business; and we cannot represent with certainty that we have exclusive or superior rights to the name "Pet Depot®" in all geographic areas. We are aware of 2 separate companies located in Alabama and Hawaii, that are using our trademark, and we plan to commence actions against these companies if and when appropriate in the future. We are parties to a Trademark License Agreement under which Labrador II has licensed the use of the Pet Depot Marks to us, including our right to use and license others to use the Pet Depot Marks. Except for this Trademark License Agreement, there are no agreements currently in effect which limit our rights to use or license the use of any Pet Depot Marks.

We do not grant you any interest in the Pet Depot Marks other than a license to use the Pet Depot Marks subject to the conditions, and for the duration, that we specify in the Franchise Agreement. The license we grant to you does not convey title or ownership to goodwill in the Pet Depot Marks. You may not, at any time, contest or assist anyone to contest the validity of our right in the Pet Depot Marks.

You must notify us immediately, if you learn about (i) any improper use of the Pet Depot Marks; (ii) a third party's use of a mark or design which is confusingly similar to any of the Pet Depot Marks; or (iii) any challenge to use any of the Pet Depot Marks. We will take the action we think is appropriate under the circumstances (including no action). We will control the prosecution, defense or settlement of any legal action or permit, if we have one, a subsidiary or affiliate to control the legal action. You must cooperate and assist us, or our subsidiary or affiliate, in defending our respective rights in the Pet Depot Marks over third party claims. You may not take any action in your own name. Unless we establish that a third party challenge is due to your misuse of the Pet Depot Marks, we will defend you in the matter; however, we will not reimburse you for any losses you sustain. You agree to waive any claim against us based on third party claims involving the Pet Depot Marks or Pet Depot System, including for lost profits or consequential damages of any kind.

You must modify or discontinue using any of the Pet Depot Marks, and add new names, designs, logos or commercial symbols to the Pet Depot Marks as we instruct. We may impose changes whenever we believe the change is advisable and you must implement the change within 60 days of written notice from us of any change. You will be given additional time to conform to our directions (including changing signs, marketing displays, branded product labels, logo property and advertising), at your expense. If you conform to our directions in making the changes, your rights under the Franchise Agreement or Area Developer Agreement then in effect will continue in full force and effect.

You may not maintain an Internet site or a presence or advertise or sell goods or services on the Internet or on any other public computer network or other electronic means, or any other kind of public modality, using the Pet Depot Marks or referencing Pet Depot stores without our prior written consent, which may be withheld in our sole judgment. You acknowledge that we are the owner of all right, title and interest in and to these domain names. We retain the right to pre-approve your use of linking and framing between your Web pages and all other Websites. If we request, you must, within 5 days, dismantle any frames and links between your Web pages and any other Websites.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise. We have no pending patent applications that are material to the franchise. Although we have not filed an application to copyright the Operations Manual that we loan to you, we claim a copyright in the Operations Manual and regard its content to be proprietary. You may use the Operations Manual only to operate and promote your Store and/or Hospital during the term of your Franchise Agreement and only in the manner that we authorized. You may not copy, disclose or disseminate the contents of the Operations Manual without our prior consent in writing. We may modify the Operations Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes as your cost.

You must return the Operations Manual to us when the Franchise Agreement expires or is terminated for any reason. You must keep the Operations Manual (or, if we loan you more than 1 copy, each copy of the Operations Manual) confidential, updated and in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Operations Manual, the terms of our master copy that is in our office

will control. If you lose any portion of the Operations Manual, we may charge you a replacement fee of $1,000 per volume.

We are not aware of any agreements or third party claims or infringing uses that might limit our, or your, use of the Operations Manual. We are not aware of any current determinations of the Copyright Office or any court, or any pending interference, opposition or cancellation proceeding or material litigation involving any materials in which we claim a copyright or regards as proprietary or its trade secret.

You may not divulge confidential information about the Pet Depot® System or the results of operations of your Pet Depot® Franchised Business except to your employees and representatives who must know the information in order to carry on their employment duties or render professional advice to you. We may require those to whom you must disclose confidential information to sign our Employee Non-Disclosure Agreement, which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our confidential information. None of the provisions in the Employee Non-Disclosure Agreement are intended to prohibit or restrict any activity which prohibition or restriction violates your employees' rights to engage in protected concerted activity under the National Labor Relations Act.

All ideas, concepts, techniques or materials created by you while you are a Pet Depot franchisee, whether or not protectable intellectual property, must be promptly disclosed to us and will become our exclusive property and a part of the Pet Depot franchise system as a work made for hire for us without compensation to you.

All data pertaining to your Franchised Business and all data you create or collect in connection with your operation of the Franchised Business (collectively, "**Pet Depot Data**"), including, data pertaining to, or otherwise concerning, the Franchised Business's customers, or that you otherwise collect, including data uploaded to, or downloaded from your computer system is Pet Depot Data and is our sole property. We have the right to review and use the Pet Depot Data in any manner that we deem appropriate without any compensation to you. You just provide us with copies and/or originals of the Pet Depot Data within 5 days after our request for the Pet Depot Data at no cost to us and at any time during the term of your Franchise Agreement and upon the expiration and/or termination of your Franchise Agreement. We license the use of the Pet Depot Data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Franchised Business. You must maintain the Pet Depot Data as secret and confidential must not make any of the Pet Depot Data available to any unauthorized person without our prior written consent of and then only in the manner we permit.

The goodwill associated with all phone and fax numbers, email addresses, domain names, social media and other Internet addresses used in operation of the Pet Depot Franchised Business is an asset that belongs to us. Upon cancellation, termination or expiration of the Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You must sign the instruments we request to confirm the assignments and transfers to us.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We do not require you, or your owner with a controlling interest, to personally devote full time and attention to managing and supervising all administrative and operational activities of your Store and/or Hospital, both in terms of managing development obligations and store operations. However, if you chose not to assume these responsibilities, you must assign them to a supervisorial of managerial person who need not

hold an equity interest in the franchise and who must successfully complete our initial training program and earn the designation of Certified Trainer. You must keep us informed of the identity of your personnel with supervisorial or managerial responsibility both on a store-level and on an organizational-level. We may require your supervisorial or managerial personnel to whom you disclose confidential information to sign our Employee Non-Disclosure Agreement, in substantially the form of **Exhibit G**, which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our confidential information. If you are a partnership, limited liability company or corporation, each person that now or later owns or acquires 25% or more of your equity or voting interests must personally guarantee payment and performance of your obligations under the Franchise Agreement. Our Guarantee is attached to the Franchise Agreement as **Attachment C**.

Your Primary Owner or one senior management employee must qualify as a Certified Manager for each Store and/or Hospital that you operate. We may change the criteria for designation as a Certified Manager at any time effective upon written notice. Our notice will specify the additional training and other requirements applicable to new Certified Managers, which existing Certified Managers must complete to maintain their designation as a Certified Manager. We give Certified Managers 90 days after the new criteria becomes effective in which to satisfy the additional training and other requirements without losing their designation as a Certified Manager.

All employees you hire or employ at your Franchised Business will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisorial or managerial personnel for qualification to perform certain functions at your Franchised Business does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to the Franchised Business, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell all of the products and services, and only those products and services that we approve or specify for the Pet Depot® System. You may not offer for sale any products or services that we have not approved. We have the right to change the types of authorized products and services periodically. There are no limits on our right to do so.

You must maintain a minimum inventory of approved products in your Store equal to a wholesale value of $32 per square foot. Your required inventory value will be based upon the actual size of the retail area of your Store. We impose no other restrictions on goods or services you offer or the customers to whom you may sell. .

You may sell only to retail customers. This policy prohibits you from soliciting orders on the Internet, through mail order catalogues or by other remote means not involving local delivery. You may not accept orders for shipment to a destination outside of your Franchised Location unless the customer places the order in person or telephones it directly to your Store and/or Hospital.

We will promote the Pet Depot brand through our websites, "**www.petdepot.net**" and "**www.petdepot.com**," which will provide information about our products and services, franchise information and general information on our company. We may require you to participate in any e-commerce programs that we may implement, to serve as a retail support center or in another capacity that we designate.

Except as we disclose in this Item 16 and in Item 12 (prohibiting Wholesale Sales), we do not impose any restrictions regarding the customers to whom you may sell authorized products and services.

Any variation from our mandatory requirements requires our prior written approval. We grant approval only in exceptional cases in our discretion. Any exception made for another franchisee does not have to be made for you.

We have the right to (i) add additional branded, Proprietary Products to the list of items that you must offer for sale; (ii) modify and discontinue the list of Proprietary Products that you must sell; and (iii) add, modify and discontinue our approval of suppliers from whom you may, or must, buy Proprietary Products and non-proprietary products. We communicate all changes by written bulletin or revisions to the Operations Manual. No limits apply to our right to impose these modifications. You will be given a reasonable time period after notice from us in which to implement these changes and discontinue selling particular items which we delete from the approved list or buying from suppliers no longer on our approved list.

You may not engage in any co-branding in or in connection with your Pet Depot® Franchised Business, except with our prior written consent. We are not required to approve any co-branding chain or arrangement except in our discretion, and only if we have recognized that co-branding chain as an approved co-brand for operation within the Pet Depot® Franchised Business. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not us) that is featured or incorporated within the Pet Depot® Franchised Business, or is adjacent to the Pet Depot® Franchised Business, and operated in a manner which is likely to cause the public to perceive it to be related to the Pet Depot® Franchised Business, licensed and franchised under the Franchise Agreement.

You must comply with all requirements if we modify the System, including offering and selling different services and products that we specify. You must also comply with all sampling policies that we may establish. These policies may require you to provide free samples to customers and potential customers. You cannot sell any authorized products on the Internet.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise and Area Development Agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Disclosure Document. You should also review the State Specific Addenda (Exhibit K) for the additional disclosures applicable in certain states.

FRANCHISE AGREEMENT AND CONVERSION FRANCHISE ADDENDUM

Provision	Section In The Franchise Agreement	Summary
A. Length of the franchise term	Section III	10 years
B. Renewal or extension of the term	Section III	2 successive renewal options for 10 years each.
C. Requirements for Franchisee to renew or extend	Section III	To exercise each option, you must be in good standing, give timely notice, sign a general release (subject to applicable state law) in substantially the form of **Exhibit M** attached to this Disclosure Document, pay renewal fee, and sign then current Franchise Agreement. You may be asked to sign a Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement.
D. Termination by Franchisee	Not Applicable	Not applicable
E. Termination by Franchisor without cause	Not Applicable	Not applicable
F. Termination by Franchisor with Cause	Section XVII	We may only terminate the Franchise Agreement for good cause.
G. "Cause" defined - curable defaults	Section XVII.C	You have 10 days after notice to cure monetary default or failure to submit reports; otherwise, you have 30 days after notice to cure.
H. "Cause" defined - non-curable defaults	Section XVII.B	Bankruptcy; failure to open a Pet Depot® Franchised Business timely; loss of Franchised Location; failure to complete training; assignment for the benefit of creditors; material misrepresentation in your application for franchise; reporting of daily sales; conviction felony; misuse of the Operations Manual, Marks or confidential information; secrets; failure, for a period of 10 days after notification of noncompliance, to comply with any Federal, state or local law or regulation applicable to the operation of the franchise; receipt of 3 or more notices of default and other grounds; and a breach of your obligations under the Franchise Agreement or any other agreement between you and us, which by its nature is not capable of being cured by you.

Provision	Section In The Franchise Agreement	Summary
I. Franchisee's obligations on termination or, if applicable, non-renewal	Section XVIII	Pay all sums that you owe to us; cease using Marks; assign your Franchised Business lease to us; sign general release (subject to applicable state law) in substantially the form of **Exhibit M** attached to this Disclosure Document; return the Operations Manual; assign us all rights to phone and fax numbers, email and Internet addresses, domain names and social media used in the operation of your Franchised Business.
J. Assignment of the contract by Franchisor	Section XIX.A	No restriction on our right to assign
K. "Transfer" by Franchisee – definition	Section XIX.B	Any transfer of rights under Franchise Agreement by you must be approved by us but does not include transfers of less than a Controlling Interest or transfers by an individual franchisee to an entity he controls
L. Franchisor's approval of transfer by Franchisee	Section XIX	Transfers require you to fulfill conditions in Franchise Agreement. Transferee must sign our then-current Franchise Agreement, pay our then-current Initial Franchise Fee and successfully complete training; you must sign general release (subject to applicable state law) in substantially the form of **Exhibit M** attached to this Disclosure Document and have no outstanding defaults in agreements with us; and others.
M. Conditions for Franchisor approval of transfer	Section XIX	Transferee must sign our then-current Franchise Agreement, pay our then-current Initial Franchise Fee and successfully complete training; you must sign a general release (subject to applicable state law) and have no outstanding defaults in agreements with us; and others.
N. Franchisor's right of first refusal to acquire your business	Section XIX.C	We can match any qualified offer.
O. Franchisor's option to purchase your business	Section XIX	Right to purchase tangible assets upon termination or expiration of Franchise Agreement.
P. Death or disability of Franchisee	Section XIX.H	Must be transferred within 180 days.
Q. Non-competition covenants during the term of the franchise	Section XVI.A.1	Includes direct or indirect involvement with any competing business and others.
R. Non-competition covenants after the franchise is terminated or expires	Section XVI.A.2	Extends for 2 years after Franchise Agreement expires or terminates. For 2 years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business located at the Franchised Location or within a 10 mile radius of any Pet Depot Store or the Franchised Location If you violate the post-term covenant not to compete, you must pay us, throughout the 2 year period following the end of your Franchise Agreement, 5% of all revenue from the sale of all products and services and all other income of the business that offers goods or services which are the same as or similar to the Franchised Business.

Provision	Section In The Franchise Agreement	Summary
S. Modification of the Agreement	Section XXIV.I	Only by a written agreement signed by all parties.
T. Integration/ merger clause	Section XXIV.I	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and the Franchise Agreement and its exhibits may not be enforceable. Nothing in the Franchise Agreement or in any related Exhibit is intended to disclaim the representations made in this Disclosure Document.
U. Dispute resolution by arbitration or mediation	Not Applicable	Not applicable
V. Choice of forum	Section XXII.A and B	The state and county in which our headquarters is located at the time the action is initiated. Applicable state laws may require actions to be brought within that state. See the State Specific Addenda (**Exhibit K**) attached to this Disclosure Document.
W. Choice of Law	Section XXII.D	California law except for non-competition if your Store or Hospital is outside of California. Applicable state laws may require use of the laws of that state. See the State Specific Addenda (**Exhibit K**) attached to this offering

AREA DEVELOPMENT AGREEMENT

Provision	Section In The Area Development Agreement	Summary
A. Length of the area development term	Section 1.4	Term expires on the date set forth in the Development Schedule as the date on which the final Pet Depot® Franchised Business must be opened.
B. Renewal or extension of the term	Not Applicable	Not applicable
C. Requirements for Area Developer to renew or extend	Not Applicable	Not applicable
D. Termination by Area Developer	Not Applicable	Not applicable
E. Termination by Franchisor without cause	Not Applicable	Not applicable
F. Termination by Franchisor with Cause	Sections 6.1, 6.2, 6.3	Default under Development Schedule, bankruptcy, and other grounds
G. "**Cause**" defined - curable defaults	Section 6.3	All other defaults not specified in Section 6.1 of Area Development Agreement.
H. "**Cause**" defined – non-curable defaults	Section 6.1, 6.2, 6.5	Bankruptcy, conviction of felony, failure, for a period of 10 days after notification of noncompliance, to comply with any Federal, state or local law or regulation applicable to the operation of the franchise and others; and a breach of your obligations under the Area Development Agreement or any

Provision	Section In The Area Development Agreement	Summary
		other agreement between you and us, which by its nature is not capable of being cured by you.
I. Area Developer's obligations on termination or, if applicable, non-renewal	Section 7	Cease establishing and operating any Pet Depot® Franchised Business for which a Franchise Agreement has not been signed, payment of amounts due, compliance with covenants, and others.
J. Assignment of the contract by Franchisor	Section 5.1	No restriction on our right to assign.
K. "**Transfer**" by Area Developer – definition	Section 5.2	Any transfer of rights under an Area Development Agreement by you must be approved by us but does not include transfers of less than a Controlling Interest or transfers by an individual franchisee to an entity he controls.
L. Franchisor's approval of transfer	Section 5.5	Transfers require you to fulfill conditions in the Area Development Agreement. Transferee must sign our then-current Area Development Agreement, pay our then-current application fee and successfully complete training; you must sign general release (subject to applicable state law) in substantially the form of **Exhibit M** attached to this Disclosure Document and have no outstanding defaults in agreements with us; and others.
M. Conditions for Franchisor's approval of transfer	Section 5.5	Transferee must sign our then-current Area Development Agreement, pay our then-current Initial Franchise Fee and successfully complete training; you must sign a general release (subject to applicable state law) in substantially the form of **Exhibit M** attached to this Disclosure Document and have no outstanding defaults in agreements with us; and others.
N. Franchisor's right of first refusal to acquire Area Developer's business	Section 5.3	We can match any offer.
O. Franchisor's option to purchase Area Developer's business	Section 7.3	Right to purchase tangible assets upon termination or expiration of Area Development Agreement.
P. Death or disability of Area Developer	Section 5.8	Must be transferred within 180 days.
Q. Non-competition covenants during the term of the franchise	Section 8.1	Includes direct or indirect involvement with any competing business and others.
R. Non-competition covenants after the franchise is terminated or expires	Section 8.2	Extends for 2 years after Area Development Agreement expires or terminates. For 2 years following the expiration or termination of the Area Development Agreement, you cannot own or have any interest in a competitive business at a Franchised Location, except under another effective Franchise Agreement with us, or any location within a 10 mile radius of any Pet Depot Store or a Franchised Location.

Provision	Section In The Area Development Agreement	Summary
S. Modification of the Agreement	Section 13.9	Only by a written agreement signed by all parties.
T. Integration/ merger clause	Section 13.10	Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document, the Area Development Agreement and its exhibits may not be enforceable. Nothing in the Area Development Agreement or in any related Exhibit is intended to disclaim the representations made in this Disclosure Document.
U. Dispute resolution by arbitration or mediation	Not Applicable	Not applicable
V. Choice of forum	Section 11.1, 11.2	The state and county in which our headquarters is located at the time the action is initiated. Applicable state laws may require actions to be brought within that state. See the State Specific Addenda (**Exhibit K**) attached to this Disclosure Document.
W. Choice of Law	Section 11.4	California law except for non-competition if your Store or Hospital is outside of California. Applicable state laws may require use of the laws of that state. See the State Specific Addenda (**Exhibit K**) attached to this offering.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchises, nor is there any public figure who is involved in any respect with the actual management or control of our company.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to Franchisor's management by contacting our President and CFO, Roman D. Versch, 1941 Foothill Boulevard, Suite A, La Verne, California 91750, 626-335-0469, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEM WIDE OUTLET SUMMARY
FOR FISCAL YEARS 2018 TO 2020

Outlet Type	Year	Outlets At The Start Of The Year	Outlets At The End Of The Year	Net Change (+ Or -)
Franchised				
	2018	31	28	-3
	2019	28	29	+1
	2020	29	28	-1
Company Owned				
	2018	4	2	-2
	2019	2	2	0
	2020	2	2	0
Total Outlets				
	2018	35	30	-5
	2019	30	31	+1
	2020	31	30	-1

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR FISCAL YEARS 2018 TO 2020

State	Year	Number Of Transfers
California		
	2018	0
	2019	0
	2020	0
Total Outlets		
	2018	0
	2019	0
	2020	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2018 TO 2020

State	Year	Outlets At Start Of Year	Outlets Opened	Termina -tions	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Outlets At End Of The Year
Arizona								
	2018	2*	0	0	0	0	0	2*
	2019	2*	0	0	0	0	0	2*
	2020	2*	0	0	0	0	0	2*

State	Year	Outlets At Start Of Year	Outlets Opened	Termina -tions	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Outlets At End Of The Year
California								
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Florida								
	2018	3*	0	0	0	0	0	3*
	2019	3*	0	0	0	0	0	3*
	2020	3*	0	0	0	0	0	3*
Kentucky								
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Louisiana								
	2018	2*	0	0	0	0	0	2*
	2019	2*	0	0	0	0	0	2*
	2020	2*	0	0	0	0	1	1*
Massachusetts								
	2018	4*	0	0	0	0	0	4*
	2019	4*	0	0	0	0	0	4*
	2020	4*	0	0	0	0	0	4*
New Jersey								
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
North Carolina								
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Ohio								
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Pennsylvania								
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Tennessee								
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Texas								
	2018	2	1	0	1	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2

State	Year	Outlets At Start Of Year	Outlets Opened	Termina -tions	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Outlets At End Of The Year
Virginia								
	2018	4*	0	0	0	0	0	4*
	2019	4*	0	0	0	0	0	4*
	2020	4*	0	0	0	0	0	4*
Wisconsin								
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Wyoming								
	2018	3	0	0	1	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Canada								
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Total Outlets								
	2018	31	1	0	2	0	2	28
	2019	28	1	0	0	0	0	29
	2020	29	0	0	0	0	1	28

*These franchisees operate a Pet Depot Store and a Pet Depot Veterinary Hospital at the same location.

TABLE NO. 4
STATUS OF COMPANY OWNED OUTLETS*
FOR FISCAL YEARS 2018 TO 2020

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of The Year
California							
	2018	4*	0	0	2**	0	2**
	2019	2**	0	0	0	0	2**
	2020	2**	0	0	0	0	2**
Total Outlets							
	2018	4*	0	0	2**	0	2**
	2019	2**	0	0	0	0	2**
	2020	2**	0	0	0	0	2**

*Labrador II owns and operates 2 Pet Depot stores, which include on-site veterinary hospitals under the trade name "**Katie's Pet Depot**" and Pet Depot Veterinary Group.
**In October 2018, Labrador II determined to not renew lease terms on the West Los Angeles Location for both the retail operations and veterinary practice.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2020

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
Illinois	1	1	0
Total	1	1	0

A list setting forth the names of all Pet Depot franchisees and the addresses and telephone numbers of all of their Pet Depot® Franchised Businesses is attached as **Exhibit L**. Also included in **Exhibit L** are the franchisees that had their Franchise Agreement terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the period January 1, 2020 through December 31, 2020. There are no franchisees who have not communicated with us within 10 weeks of the application date of this Disclosure document.

During the last 3 fiscal years, we signed a confidentiality clause with one franchisee which may restrict them from speaking openly with you about their experience with us.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Pet Depot. 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.

There are no independent trademark-specific franchisee organizations associated with the franchise system being offered that have asked to be included in this disclosure document.

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

ITEM 21
FINANCIAL STATEMENTS

Attached as **Exhibit I** are the audited Financial Statements for the periods ending December 31, 2018, December 31, 2019 and December 31, 2020. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit B **Franchise Agreement and Attachments**
Exhibit C **Conversion Franchise Addendum**
Exhibit D **Area Development Agreement and Attachments**
Exhibit E **Lease Assignment Agreement**
Exhibit G **Non-Disclosure and Confidentiality Agreement for Employees of Franchisee**
Exhibit H **Franchise Candidate Confidentiality Agreement**
Exhibit J **Franchise Compliance Certificate**
Exhibit K **State Specific Addenda**
Exhibit M **General Release**

ITEM 23
RECEIPTS

The last 2 pages of this Disclosure Document attached as **Exhibit N** are detachable documents acknowledging your receipt of the Disclosure Document. You must sign one copy and give it to us. The other copy is for your records.

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California Commissioner of the Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 West Ottawa, 1st Floor G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 373-7117
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 589-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau of Securities/ Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, New York 10005-1495 (212) 416-8236 (Phone); (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division State of Rhode Island Department of Business Regulation Bldg. 69, First Floor, John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582	Director, Securities Division Department of Business Regulation, Bldg. 69, First Floor, John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Division Of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Department of Labor and Regulation Division Of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, First Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W., Third Floor Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Suite 300 Madison, Wisconsin 53703 (608)266-1064

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
FRANCHISE AGREEMENT AND ATTACHMENTS

LABRADOR FRANCHISES, INC.

FRANCHISE AGREEMENT

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT
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Attachment E	**Entity Information Disclosure**

LABRADOR FRANCHISES, INC.

FRANCHISE AGREEMENT

This Franchise Agreement (this "**Agreement**") is made and entered into on _____, (the "**Effective Date**") by and between **LABRADOR FRANCHISES, INC.,** a California corporation ("**Franchisor**") and _____ ("**Franchisee**") with reference to the following facts:

A. Franchisor owns the Pet Depot® trade name and service mark, as well as other trademarks, service marks, logos and commercial symbols which identify and are used in connection with the development, operation and marketing of Pet Depot® Stores (the "**Proprietary Marks**").

B. Franchisor owns and has the perpetual license to use and sublicense certain business methods for the development and operation of retail pet stores and animal hospitals featuring pet food, pet supplies, pets for sale, veterinary services, grooming services and other related services to the general public ("**Pet Depot® Stores**"). These business methods include, without limitation, all aspects of developing, operating and marketing Pet Depot® Stores, the relationship between Franchisor and its franchisees, distinctive signs and store design specifications, interior and exterior imaging requirements, uniform operating, merchandising and marketing methods, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, mandatory products and supplies, including products which are specially formulated or branded for Franchisor, all as Franchisor may modify from time to time, and are collectively referred to in this Agreement as the "**System**."

C. Franchisor reserves the right to modify the System and the Proprietary Marks in its sole discretion as often, and at such times, as it believes will best promote Pet Depot® Stores to the public.

D. Franchisee desires to obtain a franchise and license to use the System and the Proprietary Marks in the operation of the Pet Depot® Franchised Business identified in Section I (A) and Attachment A of this Agreement and Franchisor is willing to grant a license to Franchisee on the terms and conditions of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

DEFINITIONS

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms are defined as follows:

"**Accounting Period**" means the specific period that Franchisor designates from time to time in the Manual or otherwise in writing for purposes of Franchisee's financial reporting or payment obligations described in this Agreement. For example, an Accounting Period may, in Franchisor's discretion, be based on a calendar month, a quarterly financial calendar (which may, or may not be subdivided into blocks of weeks, e.g., 4 weeks, 4 weeks and 5 weeks), or a shorter or longer time period that Franchisor selects in its discretion. Franchisor may designate different Accounting Periods for purposes of paying fees and for discharging reporting obligations under this Agreement.

"**Affiliate**" or "**Affiliates**" mean an entity or entities that control, are controlled by, or are under common control with, a Party to this Agreement.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Business that are in effect on or after the Effective Date, as they may be amended from time to time. Applicable Laws includes, without limitation, those relating to building permits and zoning requirements applicable to the use, occupancy and development of the Franchised Location, business licensing requirements, hazardous waste, occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes, collection and reporting of sales taxes, and the American With Disabilities Act.

"**Business Judgment**" means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section XXIV.P.

"**Calendar Year**" means the twelve (12) month period starting on January 1 and ending on December 31.

"**Competitive Business**" means to, own, operate, lend to, advise, be employed by or have any financial interest in (i) any retail pet store; or (ii) any business that manufactures, sells or distributes, at retail or wholesale, pet food, pet supplies, veterinary services for animals, pet grooming or any other service that Franchisor deems to be part of the services it offers to the public, other than a Franchised Business operating under an existing Franchise Agreement with Franchisor.

"**Controlling Interest**" means the possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of a business entity. Franchisor shall consider whether a Transfer, either alone or together with all other previous, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, a sufficient number of the Equity or voting interests of business entity to enable the purchaser or transferee to direct, or cause a change in the direction of, the management and policies of the business entity. For purposes of this Agreement, any person who qualifies as a Primary Owner shall be deemed to own a Controlling Interest.

"**Covered Area**" means anywhere inside, or within a ten (10) mile radius from: (i) the Franchised Location; and (ii) the franchise location of every other Pet Depot® Store located anywhere in the world regardless of whether the Pet Depot® Store opens before or after the Termination Date or Expiration Date or is owned by another franchisee, Franchisor or Franchisor's Affiliates.

"**Crisis Management Event**" means any event that occurs at or about the Franchised Business that has or may cause harm or injury to pets, customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings, epidemics, pandemics or any other circumstance which may damage the System, the Proprietary Marks, or image or reputation of Franchisor or its affiliates.

"**Default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"**Electronic Signature"** means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including facsimile, email, or other electronic signatures.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Franchisee is an Entity, the Entity shall conduct no other business than the operation of the Franchised Restaurant.

"**Equity**" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"**Force Majeure**" means any event (i) that was reasonably unforeseeable as of the Effective Date; (ii) that is beyond the reasonable control, directly or indirectly, of a Party; (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence; (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors; and (v) that causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, "**Force Majeure**" includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); (b) strikes, lockouts or other industrial disturbances; (c) war, terrorist acts, riot, or other civil disturbance; (d) unilateral governmental action impacting restaurants generally; and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a Party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, Landlord, contractor, or other person, or Franchisee's financial inability to perform or Franchisee's insolvency, 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

"**Franchised Business**" means [a Pet Depot® Retail Store] [a Pet Depot® Animal Hospital] [a Pet Depot® Combined Retail Store/Animal Hospital] [a Pet Depot® Barkery Store] [a Converted Pet Depot® Retail Store] that is the subject of this Agreement. [***CROSS OUT THOSE THAT DO NOT APPLY***]

"**Franchised Location**" means the business premises approved by Franchisor for the operation of the Pet Depot® Franchised Business that is the subject of this Agreement, having the address shown on **Attachment A**.

"**General Release**" means the form of general release prescribed by Franchisor, of any and all claims which Franchisee may have or believes to have against Franchisor and its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Franchised Business or the Franchised Location, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Franchised Business or the Franchised Location but which relate to other franchise agreements, stores, franchised locations and other agreements between Franchisor and its Affiliates and Franchisee which arose on or before the date of the General Release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or

description, arising under federal, state and local laws, rules and ordinances. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Franchisee is in substantial compliance with the material requirements of this Agreement, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Franchisee and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Franchisee within the time periods set forth in Section XXII (E).

"**Internet**" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio or other methods of transmission.

"**Landlord**" means the owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location.

"**Lease**" means any agreement, however denominated, that allows Franchisee to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Franchisee and a Landlord.

"**Lease Assignment Agreement**" means the written agreement by and between Franchisee and the landlord of the Franchised Location that adds specific terms and conditions required by Franchisor to the Lease and grants Franchisor the right, but not the obligation, to accept an assignment of the Lease under stated conditions.

"**Local Advertisements**" is used in its broadest sense to include, without limitation: (i) any written, printed or electronic communication of any kind; (ii) any communication by means of a recorded telephone message, spoken on radio, television or similar communication media; (iii) any promotional item or promotional or publicity event; (iv) listings in approved telephone directories; or (v) the use of any of the Proprietary Marks on merchandise, displays, signs, packaging materials, boxes, novelty items or other tangible personal property of any kind.

"**Manual**" means Franchisor's Operations Manuals, which may consist of one or more manuals, and any other written directive related to the Pet Depot System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"**NACHA**" means the National Automated Clearing House Association, an organization that establishes the standards and rules followed by financial institutions for transferring payments.

"**Non-Proprietary Products**" means all pet food, pet supplies, fixtures, furnishings, equipment, packaging, and merchandise, other than Proprietary Products, authorized by Franchisor which Franchisee may, or must, use, offer, sell or promote in operating the Franchised Business.

"**Opening Date**" means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Franchised Location; or (ii) Franchisee actually begins to offer Pet Depot Authorized Products for sale to the public from the Franchised Location, whichever occurs last.

"**Owner**" means each of the individuals listed on **Exhibit E** and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. If Franchisee is an Entity, each Owner who now or later owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of Franchisee, shall jointly and severally guarantee Franchisee's performance of its obligations in this Agreement under a Guarantee in the form of **Exhibit C**.

"**Party**" or "**Parties**" means Franchisor and Franchisee and its Owners, and their respective Affiliates, individually and collectively.

"**Payment Network**" means Visa, MasterCard and any credit or debit card network issuing credit or debit cards and/or their duly authorized entities, agents or affiliates.

"**Payment Processors**" means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers.

"**Payment Rules**" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

"**Pet Depot Authorized Products**" means all Pet Depot Branded Products, Pet Depot Proprietary Products and Non-Proprietary Products offered for sale or used at Pet Depot® Stores, as specified by Franchisor from time to time.

"**Pet Depot Branded Products**" means any product now existing or developed in the future that bears any of the Pet Depot Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications.

"**Pet Depot® Stores**" include Pet Depot® Retail Stores, Pet Depot® Animal Hospitals, Pet Depot® Combined Retail Store/Animal Hospitals, Pet Depot® Barkery Stores and Converted Pet Depot® Retail Stores.

"**Primary Owner**" refers to any person who owns at least twenty-five (25%) of the outstanding Equity or voting interests of Franchisee that is a business entity and/or who is responsible for the day-to-day operation of Franchisee or the Franchised Business.

"**Proprietary Products**" refers to (i) all products and merchandise (a) manufactured by, or for, Franchisor or Franchisor's Affiliates in accordance with proprietary recipes, specifications or formulas; or (b) displaying any of the Proprietary Marks and promoted as a Pet Depot® brand item; and (ii) uniforms displaying any of the Proprietary Marks.

"**Restricted Person**" means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals.

"**Termination Date"** means (i) the date Franchisee receives any notice of termination described in Section XVII(B) of this Agreement; or (ii) the last day of the permitted cure period for any Default described in Section XVII(B), if and as applicable, or in Section XVII(C) of this Agreement.

"**Then-Current**" means the form of agreement then-currently provided by Franchisor to similarly situated prospective Pet Depot franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Pet Depot franchisee of Franchisor, or, as the context of this Agreement indicates, fees then-currently charged by Franchisor for services provided by Franchisor.

I. GRANT

A. **Award of Rights**. Franchisor hereby awards to Franchisee, and Franchisee accepts, the right and license to use the System and the Proprietary Marks in connection with the continuous operation of the Franchised Business at the Franchised Location, on the terms and conditions of and throughout the term of this Agreement. In accepting the award of rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to continuously exert its best efforts to promote and enhance the Franchised Business and the goodwill associated with the Proprietary Marks and the System. Franchisee shall not relocate the Franchised Business except in accordance with this Agreement.

B. **Limitations**. Franchisor grants Franchisee no rights other than the rights expressly stated in this Agreement. Franchisee's use of the System or the Proprietary Marks for any purpose, or in any manner, not permitted by this Agreement shall constitute a breach of this Agreement. The franchise and license awarded to Franchisee apply to the Franchised Location, and to no other location.

1. Nothing in this Agreement gives Franchisee the right to sublicense the use of the Proprietary Marks or the System to others, the right to object to Franchisor's award of franchises or development rights to others, an interest in Franchisor or the right to participate in Franchisor's business activities, investment or corporate opportunities. This Agreement authorizes Franchisee to engage only in retail transactions of authorized products and services to customers for their own use at the Franchised Location.

2. Franchisee shall not engage in wholesale sales or distribution of products or services of any kind. The term "**wholesale sales or distribution**" means the direct or indirect sale of products or services to a third party for resale or further distribution through any trade method or trade channel.

3. Franchisee shall not maintain an Internet site or otherwise maintain a presence or advertise using any public computer network in connection with the Franchised Business or sell goods or services from merchant-controlled Internet sites or through other electronic means. Franchisee shall not advertise or sell merchandise or services by mail order, catalog sales or comparable methods that solicit business from customers by means not requiring the customer's physical presence in the Franchised Location to complete the transaction.

C. **Improvements; Duty to Conform to Modifications**.

1. Any improvements, modifications or additions which Franchisor makes to the System, or which become associated with the System, including, without limitation, ideas suggested or

initiated by Franchisee, shall inure to the benefit, and become the exclusive property, of Franchisor. If Franchisee develops any new concept, process or improvement in the System (an "**Improvement**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Nothing in this Agreement shall constitute or be construed as Franchisor's consent or permission to Franchisee modifying the System. Any modification which Franchisee desires to propose or make to the System shall require Franchisor's prior written consent.

2. Any Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any such Improvement. If the foregoing provisions of this Section I(C) are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor 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 Franchisee's rights therein.

3. Any goodwill resulting from Franchisee's use of the Proprietary Marks or the System shall inure to the exclusive benefit of Franchisor. This Agreement confers no goodwill or other interest in the Proprietary Marks or the System upon Franchisee, except a license to use the Proprietary Marks and the System during the Term subject to the terms and conditions stated in this Agreement.

4. Franchisor may modify the System from time to time in its sole discretion as often as Franchisor believes, in the exercise of reasonable business judgment, is necessary to best promote Pet Depot®, as a chain, to the public. In the event of any change to the System, Franchisor shall give Franchisee written notice of the change. Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the System specified by Franchisor and shall promptly discontinue the use of those parts of the System which Franchisor directs are to be discontinued. Franchisee shall not change, modify or alter the System in any way, except as Franchisor directs.

D. **Deviations from the System**. Franchisor, in its sole discretion, may allow other franchisees to deviate from the System in individual cases. Franchisee has no right to object to any variances that Franchisor may allow to itself, Franchisor's Affiliates or other franchisees, and has no claim against Franchisor for not enforcing the standards of the System uniformly. Franchisor has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the System. Any exception or deviation that Franchisor does allow Franchisee must be stated in writing and executed by Franchisor in order to be enforceable against Franchisor.

E. **Additional Franchises**. This Agreement does not grant Franchisee any implied or preferential right of any kind to acquire an additional franchise to operate another Franchised Business.

II. FRANCHISED LOCATION; NO TERRITORIAL RIGHTS

A. **Selection of Franchised Location**. Franchisee shall select the Franchised Location, subject to Franchisor's approval, pursuant to the procedures stated in this Article II. In evaluating potential sites, Franchisee shall consider Franchisor's current site selection criteria set forth in the Manual as well as Franchisor's current prototype floor plans and specifications for the design, appearance and leasehold improvements of a typical Pet Depot® Store, which Franchisor shall provide to Franchisee, without charge, following the Parties' execution of this Agreement.

1. To obtain Franchisor's approval of a proposed site, Franchisee shall submit a written site proposal to Franchisor, in the form indicated in the Manual. Franchisee's site proposal shall be accompanied by a letter of intent or other evidence satisfactory to Franchisor which confirms the willingness of the owner of the Franchised Location to offer Franchisee a Lease and to execute Lease Assignment Agreement in the form required by Franchisor.

2. Following receipt of Franchisee's written site proposal Franchisor may, in its discretion, make an on-site visit to the proposed site at its expense if Franchisor reasonably believes that physical inspection of the demographic conditions of the area, or the proposed site, is necessary or desirable to evaluate Franchisee's proposal. An on-site visit is at Franchisor's option and not required by this Agreement. Franchisor shall have twenty-one (21) days following receipt of Franchisee's completed site proposal to complete any site visit that it chooses to make and approve or disapprove the proposed site by giving written notice to Franchisee. If Franchisee proposes more than one site, Franchisor need only approve one site, or it may disapprove all proposed sites. Franchisor's failure to give timely notice of approval shall constitute Franchisor's disapproval of all sites proposed by Franchisee. Franchisor failure to give timely notice of approval shall constitute Franchisor's disapproval of the site.

3. Franchisee is solely responsible for site selection and for negotiation of a Lease for the Franchised Location. Neither Franchisor's proposal or approval of a site constitutes a guarantee or warranty that operation of a Pet Depot® Store at the approved site will be successful or profitable. Franchisor's approval of a site signifies only that the site meets Franchisor's current site criteria. Neither Franchisor's proposal or approval of a site certifies that Franchisee's development, use or occupancy of the proposed site as a Pet Depot® Store will conform to Applicable Laws. Franchisee is solely responsible for investigating and complying with all Applicable Laws concerning its development and occupancy of the Franchised Business.

4. When Franchisor notifies Franchisee of its approval of Franchisee's proposed site, Franchisor will notify Franchisee of the approval via written letter. Promptly following Franchisor's approval of the Franchised Location, Franchisee shall (i) execute a Lease and a Lease Assignment Agreement with the real property owner or master landlord of the Franchised Location and Franchisor; and (ii) deliver to Franchisor a copy of the fully-executed Lease and Lease Assignment Agreement. If Franchisor determines, in its discretion, to review the Lease and incurs legal fees in connection with such review, Franchisee shall pay Franchisor's legal fees to do so; however, the costs for same will not exceed $1,200.

B. **No Territorial Rights**. Nothing in this Agreement grants to Franchisee any area, market or territorial rights or protection of any kind. Franchisor may open or operate, or grant others, including (without limitation) Franchisor's Affiliates, the right to open or operate, Pet Depot® Stores anywhere regardless of the proximity to the Franchised Location. Franchisee acknowledges and agrees that (i) the

rights and license awarded to Franchisee are non-exclusive; (ii) Franchisor reserves all other rights to use the Proprietary Marks and the System for all purposes; (iii) Franchisee shall have no right to enjoin or be compensated for the opening or operation of another Pet Depot® Store or for any other type of use of the System regardless of its proximity to the Franchised Location.

1. Franchisor expressly reserves the absolute right to distribute any and all Non-Proprietary Products and Proprietary Products using the Proprietary Marks through all channels of trade and distribution, regardless of whether (i) the channel of distribution now exists or is developed after the Effective Date; or (ii) the Non-Proprietary Products or Proprietary Products are now, or in the future, authorized for sale at Pet Depot® Stores.

2. Franchisor may directly or indirectly, itself or through Franchisor's Affiliates, licensees, franchisees, assignees, agents and others:

a. Produce, license, distribute, market and sell products and services of any kind, including, without limitation, Proprietary Products, through other retail and wholesale channels of distribution, including, without limitation, by means of electronic communication, the Internet, mail order catalogues, direct mail advertising, and comparable methods that solicit business from customers by means not requiring a physical transaction at a retail or wholesale location.

b. Produce, license, distribute, market and sell products and services of any kind, including, without limitation, Proprietary Products, from supermarkets, health food stores and other wholesale and retail food stores owned by third parties that are not licensed to do business under the Proprietary Marks.

c. Operate other kinds of businesses under the Proprietary Marks that do not feature pet services, pet food, veterinary services, pet grooming services, Proprietary Products, or other products and services similar to those now, or in the future, featured at Pet Depot® Stores.

d. Operate other retail and wholesale concepts under trade names dissimilar to the Proprietary Marks that compete with Pet Depot® Stores, including retail and wholesale businesses that feature pet services, pet food, veterinary services, pet grooming services, or other products and services similar to those now, or in the future, featured at Pet Depot® Stores.

e. To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Proprietary Marks and the System, including, without limitation, toll-free "1-800", "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers and military bases.

f. To market on the Internet and use the Proprietary Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media.

C. **Alternative Channels of Distribution**. Franchisee expressly acknowledges and agrees that certain of Franchisor's or its Affiliate's products or services, whether now existing or developed in the future, may be distributed by Franchisor, Franchisor's Affiliates, or Franchisor's franchisees, licensees or designees, in such manner and through such channels of distribution as Franchisor, in its sole discretion, shall determine, regardless of whether the sale is made or originates near the Franchised Location. Such alternative channels of distribution shall include, but are not limited to, sales of any products offered hereunder under the Proprietary Marks at or through the internet, kiosks, or supermarkets. Franchisee understands that this Agreement grants Franchisee no rights to (i) distribute such products as described in this Section II(C); or (ii) share in any of the proceeds received by any such party therefrom.

III. TERM AND RENEWAL

A. **Initial Term**. This Agreement shall begin on the Opening Date and shall expire without notice ten (10) years from the Opening Date, unless this Agreement is sooner terminated as provided herein (the ten (10) year period is referred to as the "**Initial Term**"). The last day of the Initial Term (the "**Expiration Date**") is set forth on **Attachment A**. If Franchisee exercises a renewal option for a Renewal Term, "**Term**" shall mean both the Initial Term and each Renewal Term.

B. **Renewal Term**. Provided Franchisor is granting new franchises at the time when Franchisee is permitted to exercise each renewal option granted by this Agreement, Franchisee may, at its option, renew the franchise for two (2) successive options each for an additional ten (10) years (each option is for a period described as the "**Renewal Term**" or individually, and successively, as the "**First Renewal Term**" and "**Second Renewal Term**"). To exercise each renewal option, Franchisee must comply with the following conditions:

1. Franchisee must give Franchisor written notice of Franchisee's election to renew (the "**Renewal Notice**") at least nine (9) months, but not more than twelve (12) months, before the end of the Initial Term or the applicable Renewal Term. Each successive Renewal Term shall begin on the day immediately following the expiration of the Initial Term or prior Renewal Term. Franchisee shall have no right to exercise the Second Renewal Term unless Franchisee has exercised the First Renewal Term.

2. Franchisee's Renewal Notice must each be accompanied by a non-refundable renewal fee equal to twenty-five percent (25%) of the Initial Franchise Fee that Franchisor is then charging for new Pet Depot® franchises in the United States.

3. Franchisee must not be in Default under this Agreement or any successor Franchise Agreement or any other agreement with Franchisor or Franchisor's Affiliates at the time it gives its Renewal Notice or on the first day of the applicable Renewal Term. Further, Franchisee must not have received more than three (3) notices of Default during any twenty-four (24) month period during the Initial Term or Then-Current Renewal Term.

4. To exercise each renewal option, Franchisee shall execute Franchisor's Then-Current form of Franchise Agreement for a ten (10) year term, which agreement shall supersede this Agreement in all respects; provided, however, Franchisee shall have no additional renewal rights even if the renewal Franchise Agreement provides for a renewal option that is different than this Agreement. Franchisee shall not be required to pay the Initial Franchise Fee stated in each renewal Franchise Agreement, but instead shall

pay the renewal fee stated in this Agreement. Exercise of the first renewal option shall result in an extension of this Agreement for an additional ten (10) years only. Franchisee understands that the renewal Franchise Agreement it is required to execute may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Franchisor.

5. Franchisee shall satisfy Franchisor's Then-Current training requirements for renewing franchisees.

6. Franchisee shall satisfy Franchisor's Then-Current appearance and design standards and equipment specifications that apply to a new Pet Depot® Store similar to Franchised Business that is the subject of this Agreement, including (without limitation) conforming the Franchised Business to Franchisor's Then-Current requirements relating to decoration, furnishings, merchandise, services and inventory and accounting systems.

7. Franchisee shall execute a General Release.

C. **Ineffective Exercise of Renewal Option**. Franchisee's failure to deliver the agreements and release required by Section III (B) within thirty (30) days after Franchisor delivers them to Franchisee shall be deemed an election by Franchisee not to exercise the applicable renewal option.

D. **Extension**. If Franchisor is in the process of revising, amending or renewing its franchise Disclosure Documents or registration to sell franchises in the state where the Franchised Business is located, or, under Applicable Law, cannot lawfully offer Franchisee its Then-Current form of Franchise Agreement at the time Franchisee delivers a Renewal Notice, Franchisor may, in its sole and absolute discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of a Renewal Term for as long as Franchisor deems necessary so that Franchisor may lawfully offer its Then-Current form of Franchise Agreement; provided, however, nothing in this Section III(D) shall require Franchisor to extend this Agreement if, at the time Franchisee delivers a Renewal Notice (i) Franchisor is not granting new franchises; or (ii) Franchisee is in Default under this Agreement or a successor Franchise Agreement or under any other agreement with Franchisor or Franchisor's Affiliates.

E. **Failure to Satisfy Renewal Conditions**. If any of the renewal conditions are not timely satisfied, this Agreement will expire on the Expiration Date without further notice from Franchisor; provided, however, Franchisee shall remain obligated to comply with all provisions of this Agreement which expressly, or by their nature, survive the expiration or termination of this Agreement.

G. **Month-to Month Agreement**. If Franchisee does not sign Franchisor's Then-Current Franchise Agreement prior to the Expiration Date and Franchisee continues to accept the benefits of this Agreement after it expires, then at Franchisor's option, this Agreement may be treated either as (i) expired as of the Expiration Date with Franchisee then operating without a license to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Month-to-Month Agreement**") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by Applicable Law. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired, and all obligations and restrictions

imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement.

IV. PAYMENTS

A. **Initial Franchise Fee**. In consideration of the franchise and license granted to Franchisee, Franchisee shall pay to Franchisor in full upon execution of this Agreement as an initial franchise fee (the "**Initial Franchise Fee"**) the amount set forth on **Attachment A**, less the application processing fee, if any, paid by Franchisee to Franchisor before the date of this Agreement. The Initial Franchise Fee is fully earned when paid and no portion of it is refundable under any circumstance. If Franchisor's Disclosure Document delivered to Franchisee in connection with the sale of this franchise disclosed that Franchisor will discount the initial franchise fee when an existing franchisee purchases a subsequent franchise, and if Franchisee qualifies for the discount, Franchisor will adjust the Initial Franchise Fee to conform with Franchisor's Disclosure Document.

B. **Royalty Fee**. Beginning on the Opening Date and for the remainder of the term, Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, a royalty fee equal to five percent (5%) of Gross Sales (the "**Royalty Fee**"). The Royalty Fee shall be due and payable within ten (10) days after the then-applicable Accounting Period based upon the Franchised Business' aggregate Gross Sales during the Accounting Period just ended. Franchisee shall pay the Royalty Fee by check or by such other method, including automatic electronic bank debit, as Franchisor may from time to time direct, at companies option. Franchisee hereby authorizes Franchisor to initiate electronic debit entries and/or credit collection entries to Franchisee's designated primary business operating checking or savings account for the payment of Royalty Fees, advertising fees, rent and rent-related expenses, if and as applicable, and all other sums that may become due to Franchisor, or its Affiliates, from Franchisee. If Franchisor elects to utilize this method of payment of such obligations, Franchisee shall immediately execute such authorizations as Franchisor, its bank and Franchisee's bank shall require, including, without limitation, the **Authorization Agreement for Prearranged Payments (Direct Debits)** in the form attached hereto as **Attachment B**, and shall make funds available for withdrawal by Franchisor by electronic transfer on such dates of each month as Franchisor shall designate. Franchisee shall bear all costs to establish and maintain the required electronic payment system and shall comply with Franchisor's procedures for electronic payment, which Franchisor may modify in its discretion during the Term.

C. **Advertising Fee**. Beginning on the Opening Date and for the remainder of the Term, Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, the Advertising Fee described in Article X of this Agreement at the same time, for the same period and in the same manner as the Royalty Fee.

D. **Gross Sales**. For purposes of this Agreement, "**Gross Sales**" means the aggregate of all sales and other income from the Franchised Business, as well as the proceeds from any business interruption insurance related to the non-operation of the Franchised Business, and whether payment is in cash credit, gift certificates or other generally accepted form of payment. Gross Sales includes, without limitation, all proceeds from any business interruption insurance, the sale of Proprietary Products and approved wholesale transactions, but excludes: (i) all sales taxes and other taxes separately stated that Franchisee collects from customers and pays to taxing authorities under Applicable Laws; (ii) all refunds and credits made in good faith to arms' length customers, and (iii) the discount value of all authorized coupons, vouchers or other allowances sold, or redeemed, by Franchisee.

E. **Gross-Up Fees**. To ensure that Franchisor receives the full Royalty Fee and the full Advertising Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees and Advertising Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any governmental authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the governmental authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement.

F. **Late Payment**. If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, Franchisee shall additionally be obligated to pay, as a late charge, the sum of $200. Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1 1/2%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge is paid in full. Interest shall accrue on the total past due sum from the date payment is due. Interest shall accrue on the $200 late charge starting ten (10) days after the date payment is due if Franchisee fails to pay, in full, within ten (10) days from the due date, the amount outstanding, together with the late charge and interest on the late payment. This Section IV(F) does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, the Franchised Business, and that Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this provision.

G. **Application of Fees**. Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Advertising Fees, purchases from Franchisor or Franchisor's Affiliates, interest or any other indebtedness, in such amounts and in such order as Franchisor shall determine.

V. FRANCHISE LOCATION DEVELOPMENT AND OPENING DATE

A. **Franchisee's Design Plans**. Franchisor shall provide Franchisee with a set of Franchisor's prototype plans and specifications for a typical new Pet Depot® Store similar to Franchised Business that is the subject of this Agreement after the Parties execute this Agreement, which Franchisee shall use to evaluate potential sites and select the Franchised Location. At Franchisee's sole expense, Franchisee shall pay for the services of a Franchisor approved, licensed and qualified architect or other construction personnel to prepare design and construction plans ("**Franchisee's Design Plans**") that adapt Franchisor's prototype plans and specifications to the specific dimensions and conditions of the Franchised Location and to the requirements of the Lease and Applicable Laws. At a minimum, the Franchisee's Design Plans shall address, without limitation, exterior design and lighting plans, interior design and layout plans, and specifications for the items of equipment, fixtures, furniture, signs, supplies, utilities, materials and decorations that Franchisee intends to install and use in the Franchised Location, together with such other information as may be specified in the Manual. Franchisee shall submit Franchisee's Design Plans to Franchisor for approval. Franchisor shall promptly review the Franchisee's Design Plans and may reject or accept the Franchisee's Design Plans completely, or approve Franchisee's Permitted Plans subject to specified modifications. Franchisor shall communicate its decision in writing within fifteen (15) days after receipt of plans.

B. **Development of Franchised Location**.

1. Franchisee shall cause all construction and other development work to be carried out in compliance with the version of the Franchisee's Design Plans that Franchisor approves, including any required specified modifications. Franchisee is solely responsible for procuring all equipment, fixtures, furniture, computer systems, signs, supplies, materials and supplies required for the development and operation of the Franchised Business from designated or approved suppliers. Franchisee shall not make any material changes to the approved Franchisee's Design Plans without first submitting the changes to Franchisor for its approval. Franchisee shall furthermore cause all construction and development work to conform with the Lease and Applicable Laws, including, without limitation, all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility and sign permits). Franchisee shall complete development of the Franchised Location diligently, expeditiously and in a first-class manner. Franchisor shall have access to the Franchised Location to inspect the work and performance by Franchisee's construction personnel.

2. Franchisee is solely responsible for selecting competent construction personnel and for supervising, and for the acts and omissions of, its construction personnel. Franchisee shall obtain all customary contractors lien waivers for the work performed. Franchisor shall have no responsibility for any delays in development or opening of the Franchised Business or for any loss resulting from the design of the Franchised Location. If Franchisor inspects the work and performance of Franchisee's construction personnel, the inspection is not for purposes of reviewing or certifying that development is in compliance with the Lease or Applicable Laws, but solely to evaluate that development conforms with the set of Franchisee's Design Plans that Franchisor has approved and otherwise with Franchisor's specifications for design, appearance and leasehold improvements. If Franchisee leases a site for the Pet Depot Store location, following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section V(C) below have been included in the proposed Lease, and/or that the Landlord and Franchisee have executed a Lease Assignment Agreement in the form specified by Franchisor.

3. To protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets and the goodwill associated with the same, Franchisee may not open the Franchised Location for business to the public under the Proprietary Marks unless and until Franchisor issues a written completion certificate. The certificate shall signify that Franchisor finds that the Franchised Location, as built, substantially conforms to Franchisor's design specifications.

C. Lease for Franchised Location. Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent; (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease; (iii) upon Franchisee's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease; (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord; (v) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Business

to Franchisor, or any franchisee or licensee approved by Franchisor; and (vi) Franchisor shall have the right to enter the Franchised Business to remove all of the Proprietary Marks from the Franchised Business and modify the decor of the Franchised Business so that it no longer resembles, in whole or in part, a Pet Depot Franchised Business if Franchisee fails to do so. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

D. **Opening Date**. Franchisor may terminate this Agreement effective upon written notice to Franchisee if Franchisee fails to complete construction of improvements and open for business to the public by no later than twelve (12) months after the Effective Date (the "**Opening Date**"). If this Agreement terminates for this reason, Franchisee shall not be entitled to a refund of any fees or other payments paid to Franchisor or Franchisor's Affiliates. Franchisor may extend the Opening Date if Franchisor determines that the Franchised Business's opening (i) has been, or will be, delayed due Force Majeure; or (ii) is otherwise set forth pursuant to an applicable Development Agreement with Franchisor. If Franchisor extends the Opening Date, Franchisee must open for business to the public, by no later than the extended Opening Date.

E. **Relocation**. If (i) the Lease expires or terminates for reasons other than Franchisee's breach; (ii) the Franchised Location or building in which the Franchised Business is located is destroyed, condemned or otherwise rendered unusable; or (iii) the Parties' mutually believe that relocation will increase the business potential of the franchise, Franchisee shall relocate the Franchised Business, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Franchisor, in accordance with Franchisor's Then-Current site selection procedures as specified in the Manual. At Franchisee's sole expense, Franchisee shall construct and develop the new premises to conform to Franchisor's Then-Current specifications for design, appearance and leasehold improvements for new Pet Depot® Stores, and remove any signs or other property from the original Franchised Location which identified the original Franchised Location as part of the System. Franchisee shall complete relocation without any interruption in the continuous operation of the Franchised Business unless Franchisor's prior written consent is obtained. If Franchisor consents to a disruption in operations and such operations cease, then Franchisee agrees that, until operations resume at the new location: (i) the term of this Agreement shall not be abated; and (ii) Franchisee shall remain liable to pay Royalty Fees and Advertising Fees in an amount equal to the average amount paid by Franchisee during the two (2) calendar quarters immediately preceding the date that operations cease plus an additional ten percent (10%) of such amount, or if the Franchised Business was not in operation for two (2) calendar quarters prior to the date operations cease, the amount due shall be based on Franchisee's average Royalty Fees and Advertising Fees during the time period that Franchisee has been in business at the original Franchised Location plus an additional ten percent (10%) of such amount.

VI. TRAINING

A. **Initial Training Program**. As of the Effective Date, Franchisor's initial training program consists of two parts: (i) approximately forty (40) hours of administrative and operational training ("**Phase I and II Training**") conducted in a classroom environment and/or at an operating Pet Depot® Store or Franchised Business that Franchisor shall designate; and (ii) approximately eighty (80) hours of on-site instruction at the Franchised Business at a mutually scheduled time for one week before, or the period including, the Opening Date ("**Phase III and IV Training**"). Franchisor reserves the right to modify Franchisor's initial training program at any time without notice, and to determine the content, duration and manner of conducting the initial training program in Franchisor's sole discretion. Phase III and IV Training assists Franchisee and Franchisee's opening staff with merchandise display, training of Franchisee's opening

staff and other operating details to prepare for opening. Franchisor reserves the right to modify Franchisor's initial training program at any time without notice, and to determine the content, duration and manner of conducting the initial training program in Franchisor's sole discretion.

1. Franchisor shall provide the initial training program at no extra charge only once, before the opening of the Franchised Business, to two (2) supervisorial or managerial personnel of Franchisee, selected by Franchisee, provided both attend the same initial training sessions. Franchisee may enroll additional trainees in the initial training program under the conditions specified in this Agreement, so long as such additional trainees attend the same initial training sessions and Franchisee pays Franchisor the sum of $500 for each additional trainee. The initial training program shall not be provided if (i) Franchisee or any Affiliate of Franchisee (or an owner of either) owns or operates a Pet Depot Store as of the Effective Date; or (ii) this Agreement is executed as a renewal Franchise Agreement.

2. At a minimum, either Franchisee, Franchisee's Primary Owner, or another supervisorial or managerial person who will have general management and supervisory responsibilities for one or more Pet Depot® Stores, must successfully complete Phase I through Phase III Training before the opening of the Franchised Business and qualify as a "**Certified Manager**" signifying that the person is qualified to train Franchisee's store-level managers and employees. If, at the end of the initial training program, this person fails to demonstrate the requisite competency to operate and manage a Pet Depot® Store in Franchisor's judgment, based on Franchisor's sole subjective evaluation, Franchisor may terminate this Agreement. Termination shall be effective upon delivery of written notice.

3. At all times during the Term, Franchisee must employ at least one Certified Manager. Notwithstanding Franchisor's designation, Franchisor shall have no responsibility for the operating results of the Franchised Business or the performance of Franchisee's employees. Franchisor may change the criteria for designation as a Certified Manager at any time effective upon notice to Franchisee. Franchisor's notice shall specify the additional training and other requirements applicable to new Certified Managers which existing Certified Managers must complete to maintain their designation as a Certified Manager. Franchisor shall allow existing Certified Managers ninety (90) days after the new criteria become effective in which to satisfy the additional training and other requirements without suffering a lapse in their designation as a Certified Manager.

B. **Additional Training**. All newly hired and replacement supervisorial or managerial personnel of Franchisee shall demonstrate the requisite competency to operate and manage the Franchised Business.

1. Franchisee may request permission (i) to send additional supervisorial or managerial personnel of Franchisee to the initial training program; (ii) to enroll its supervisorial or managerial personnel of Franchisee in other initial training program sessions during the Term or in connection with the opening of subsequent Pet Depot® Franchised Stores; (iii) to extend the initial training program for a longer period; or (iv) to receive additional training and on-site assistance after the Opening Date. All additional training shall be at mutually scheduled times, subject to space availability and Franchisor's other training commitments, and that, as a condition to receiving additional training, Franchisee must pay Franchisor's Then-Current per person training fees stated in the Manual. In connection with additional on-site instruction, Franchisee shall also reimburse Franchisor for its reasonable travel-related expenses, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges.

2. Franchisor reserves the right to require that Franchisee's Certified Managers or other designated supervisorial or managerial personnel of Franchisee attend specified advanced or refresher training programs; provided, however, Franchisor shall not require that more than two (2) supervisorial or managerial personnel of Franchisee, designated by Franchisor, complete more than one additional training program of up to three (3) days during any twelve (12) month period. As a condition to completing mandatory additional training, Franchisee shall pay Franchisor's Then-Current per person training fees.

3. In connection with any event of Transfer, Franchisee or the proposed buyer (the "**Proposed Buyer**") shall be solely responsible for all personal expenses that the Proposed Buyer and its employees incur in connection with such training. Franchisee shall remain responsible for operation and management of the Franchised Business until the Proposed Buyer and its personnel complete and demonstrate the requisite competency to operate and manage the Franchised Business in Franchisor's judgment, based on Franchisor's sole subjective evaluation.

C. **Remedial Training**. If Franchisor determines it to be necessary, Franchisor may provide Franchisee or other supervisorial of managerial personnel of Franchisee with on-site remedial training or assistance subject to the availability of Franchisor's personnel. Franchisee shall pay Franchisor any fee which may be charged by Franchisor to Franchisee and other franchisees to defray the direct costs of providing this remedial training. In addition, Franchisee shall be responsible for any and all other expenses incurred in connection with sending Franchisee's employees to such remedial training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. Franchisor shall, in Franchisor's sole discretion, select the time and location of all remedial training.

D. **Additional Provisions**. Franchisor shall schedule all training, including, without limitation, on-site training, according to its training schedule, subject to space availability. Franchisee is solely responsible for all personal expenses that it and its employees incur to attend any and all training provided by Franchisor whether before or after the Opening Date, including, without limitation, costs for air and ground transportation, lodging, meals, personal expenses and salaries, and that Franchisor shall pay no compensation for any services performed by trainees in connection with any training program provided by Franchisor.

E. **Virtual Training, Assistance and Inspections**. Franchisor may provide any or all portions of the initial training program, additional training programs, remedial training, pre and post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

VII. PROPRIETARY MARKS

Franchisor and its Affiliates continue to develop, use and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under the Proprietary Marks and the Pet Depot System and to represent the Pet Depot System's high standards of quality, appearance and service. To protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets and the goodwill associated with the same:

A. **Ownership**. As between the Parties, Franchisor or Franchisor's Affiliates own the Proprietary Marks and the System, and Franchisee owns no rights in the Proprietary Marks or the System except for the license granted by this Agreement. Franchisee shall not contest, or assist any other person to contest, the validity of Franchisor's or its Affiliate's rights and interest in the Proprietary Marks or the

System either during the Term or after this Agreement terminates or expires.

B. **Use of Proprietary Marks and System**. In operating the Franchised Business, Franchisee shall (i) use only the Proprietary Marks and elements of the System designated by Franchisor and only in the manner authorized and permitted by Franchisor; (ii) use the Proprietary Marks only to operate the Franchised Business and in connection with no other activities; (iii) display notices of trademark and service mark registrations in the exact manner that Franchisor specifies; (iv) obtain fictitious or assumed name registrations as required by Applicable Law; and (v) prominently post notices to customers informing them that Franchisee is the independent owner of the Franchised Business under license from Franchisor.

1. Franchisee shall not use any of the Proprietary Marks or any part thereof: (i) in its corporate or legal name (if Franchisee is a business entity); (ii) with any prefix, suffix or other modifying words, terms, designs, colors or symbols; (iii) in any modified form; (iv) in connection with the sale of any unauthorized products or services; (v) in any manner not expressly authorized in writing by Franchisor, or (v) in any manner that may result in Franchisor's liability for Franchisee's debts or obligations.

2. Franchisor reserves the right to: (i) modify or discontinue licensing any of the Proprietary Marks; (ii) add new names, marks, designs, logos or commercial symbols to the Proprietary Marks and require that Franchisee use them; and (iii) require that Franchisee introduce or observe new practices as part of the System in operating the Franchised Business. Franchisee shall comply, at Franchisee's sole expense, with Franchisor's directions regarding changes in the Proprietary Marks and System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor's directions and conforming to required changes. Any unauthorized use of the Proprietary Marks or the System by Franchisee shall constitute both a breach of this Agreement and an infringement of Franchisor's intellectual property rights.

3. Except as expressly limited in this Agreement, Franchisor (for itself, its Affiliates and designees) retains all rights with respect to use of the Proprietary Marks and the System to sell any products or services, similar to those which Franchisee sells, through any alternate channels of distribution. This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, over the Internet, or through other forms of electronic media (including social technology, social media and social networking platforms). Franchisor exclusively reserves the Internet and other forms of electronic media as channels of distribution for Franchisor, and Franchisee may not independently market on the Internet or through other forms of electronic media, or conduct e-commerce without Franchisor's prior written consent.

C. **Defense of Proprietary Marks and System**. Franchisor shall have the sole right to handle disputes with third parties concerning Franchisor's ownership of, rights in, or Franchisee's use of, the Proprietary Marks.

1. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed, of any: (i) improper use of any of the Proprietary Marks or elements of the System; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Proprietary Marks; (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based upon

Franchisee's use of the Proprietary Marks or the System. Franchisor shall have sole discretion to take such action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Proprietary Marks or the System.

2. Franchisee shall not settle or compromise any claim, suit or demand asserted against it and shall be bound by Franchisor's decisions in handling disputes regarding the Proprietary Marks and the System. Franchisee shall cooperate fully with Franchisor and execute such documents and perform such actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the defense of such claims, suits or demands and to protect and maintain Franchisor's rights in the Proprietary Marks and the System.

3. Unless it is established that a third party claim asserted against Franchisee is based, directly or indirectly, upon Franchisee's misuse of the Proprietary Marks or the System, Franchisor shall defend Franchisee against the third party claim, provided Franchisee has notified Franchisor immediately after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Franchisor's agreement to defend Franchisee under the conditions stated in this section, Franchisor is not liable to indemnify or reimburse Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of the third party claim. Franchisee, on behalf of itself and each Restricted Person, hereby waives any claim against Franchisor, Franchisor's Affiliates, and their respective officers, directors, shareholders, employees and agents based on third party claims involving the System or the Proprietary Marks, including, without limitation, for lost profits or consequential damages of any kind.

VIII. MANUAL

A. **Loan**. Following the successful completion of Franchisee's initial training program, Franchisor will loan Franchisee one copy of its current Manual for as long as this Agreement is in effect and the following conditions shall apply to Franchisee's use of the Manual. The Manual is, and at all times shall remain, Franchisor's sole property and shall promptly be returned to Franchisor upon expiration, termination or an assignment of this Agreement. Franchisee shall treat all information contained in the Manual as confidential, and shall use all reasonable efforts to keep the information secret. Franchisee shall not, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the Manual, in whole or in part, or otherwise make it available to any person not required to have access to its contents in order to carry out his or her employment functions. At all times that the Manual is not in use by authorized personnel, Franchisee shall keep the Manual in a locked receptacle at the Franchised Location and shall only grant authorized personnel, as defined in the Manual, access to the key or lock combination of the receptacle. The Manual contains both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the System and Franchisee's obligations under this Agreement. The Manual, as modified by Franchisor from time to time, is an integral part of this Agreement and all provisions now or hereafter contained in the Manual or otherwise communicated to Franchisee in writing are expressly incorporated in this Agreement by this reference and made a part hereof Franchisee shall fully comply with all mandatory requirements now or hereafter included in the Manual, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

B. **Updating**. Franchisor reserves the right to modify the Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the System. All revisions will be reflected in written supplements to the Manual or in other written communications delivered to Franchisee, and each supplement or communication shall become effective upon receipt or on the later date specified in the writing. Franchisee shall insert any updated pages in its copy of the Manual upon receipt and remove superseded pages and return them to Franchisor within five (5) days following receipt. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

C. **Lost or Destroyed Manual**. Franchisee shall promptly notify Franchisor if any volume or part of its copy of the Manual is lost or destroyed for any reason. Provided (i) the loss is not the result of Franchisee's breach of its duty to keep the contents of the Manual confidential; and (ii) Franchisee is not otherwise in Default under this Agreement, Franchisor shall furnish Franchisee with the needed replacement copy or portion of the current Manual. Franchisee shall pay Franchisor a replacement Manual fee of $1,000, per volume, plus all shipping expenses, in full within ten (10) days following receipt of invoice. If either (i) or (ii) is not satisfied, Franchisor may terminate this Agreement on account of the loss or destruction of the Manual or any portion thereof.

IX. CONFIDENTIAL INFORMATION

Franchisee acknowledges and agrees that the Pet Depot System is comprised of confidential information that has been developed by Franchisor and its Affiliate by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes "**Trade Secrets**" of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of inventory and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Pet Depot Store which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Pet Depot Store under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its

disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Franchisee after receiving it; has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee; or is shown by acceptable evidence to have been independently developed by Franchisee.

A. **Non-Disclosure**. Franchisor will disclose Confidential Information to Franchisee in furnishing Franchisee with the Manual, in providing or arranging for the supply of Proprietary Products, and otherwise through the performance of Franchisor's obligations and the exercise of its rights under this Agreement. Franchisee shall acquire no interest in Confidential Information, other than a license to utilize it in the operation of the Franchised Business subject to the terms of this Agreement. Franchisee's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement. Franchisee shall: (i) confine disclosure of Confidential Information to those of its supervisorial or managerial personnel and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Franchisor to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information including, without limitation, requiring that supervisorial or managerial personnel with access to Confidential Information, who are not otherwise required to sign a Confidentiality, Non-Disclosure and Non-Competition Agreement, execute Franchisor's current form of Confidentiality, Non-Disclosure and Non-Competition Agreement with Franchisee. Upon request from Franchisor, Franchisee shall deliver to Franchisor a copy of each executed Confidentiality, Non-Disclosure and Non-Competition Agreement for its records.

1. Pursuant to Section XVI of this Agreement, Franchisee shall deliver to Franchisor a separate Confidentiality, Non-Disclosure and Non-Competition Agreement in the form required by Franchisor, executed by Franchisee and by each person who is now, or during the Term becomes, a Restricted Person. Franchisor may terminate this Agreement if Franchisee, or any person required by this Agreement to execute a Confidentiality, Non-Disclosure and Non-Competition Agreement with Franchisor or Franchisee, breaches the Confidentiality, Non-Disclosure and Non-Competition Agreement.

2. All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided Franchisee shall have used its best efforts, and shall have afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed.

3. Nothing in this Article IX is intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

B. **Extraordinary Relief**. Franchisor will suffer irreparable injury not capable of precise measurement in money damages if any Confidential Information is obtained by any person, firm or corporation and is used to compete with Franchisor or another Pet Depot® Store or otherwise in a manner adverse to Franchisor's interest. Accordingly, in the event a breach of any provision regarding use of Confidential Information, Franchisee, on behalf of itself and each Restricted Person, hereby consents to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may

be granted by a court having proper jurisdiction, without the requirement that Franchisor post bond. Franchisee further agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

C. **Assignment of Copyrights**. Franchisee and Franchisor acknowledge that, during the Term, Franchisor may authorize Franchisee to use certain works in operating the Franchised Business for which Franchisor or Franchisor's Affiliates own a copyright, or own a license to use a copyrighted work granted by a third party (collectively referred to as the "**Copyrighted Works**"), that the Copyrighted Works are, and shall remain, valuable property of Franchisor, and Franchisee shall acquire no interest in the Copyrighted Works, other than a license to use those Copyrighted Works that Franchisor designates in the operation of the Franchised Business subject to the terms of this Agreement. The Copyrighted Works may include, without limitation, the Manual, advertising and promotional materials supplied by Franchisor, proprietary software, and other categories of works eligible for protection under federal copyright laws that are created by, or for, Franchisor or Franchisor's Affiliates and are designated by Franchisor for use in connection with operating a Pet Depot®. If Franchisee creates, or arranges to have created for Franchisee's benefit, any improvement or work eligible for protection under federal copyright laws, Franchisee shall execute, or have the creator execute, all documents necessary to assign all intellectual property and ownership rights, including (without limitation) all copyrights, to Franchisor. The consideration for the assignment is the grant of the franchise to Franchisee. Nothing in this Agreement shall constitute or be construed as Franchisor's consent to Franchisee modifying, or creating any derivative work based upon, any of the Copyrighted Works. Franchisee must obtain Franchisor's prior written consent before modifying or creating, directly or indirectly, any type of derivative work based on any Copyrighted Works.

X. ADVERTISING

Recognizing the value of advertising and the importance of standardizing advertising to protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets, and the goodwill associated with the same, and to enhance general consumer awareness of Pet Depot® Stores, and promote the Franchised Business, Franchisee agrees as follows:

A. **Local Advertisements**. All Local Advertisements must be approved by Franchisor in the manner set forth in this Agreement before Franchisee may use them. Franchisor shall provide Franchisee with written guidelines for Local Advertisements. Franchisee shall not use, disseminate, broadcast or publish any material using the Proprietary Marks or promoting the Franchised Business without first obtaining Franchisor's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertisements.

1. To apply for Franchisor's approval, Franchisee shall submit a true and correct copy, sample or transcript of the proposed Local Advertisements, a written business plan which explains the proposed promotional event or use of the Local Advertisements, and any additional information material to the proposal disclosing Franchisee's intended use of the proposed Local Advertisements. Franchisor shall have fifteen (15) business days from the date of receipt in which to approve or disapprove of the submitted materials. If written approval is not received by the end of fifteen (15) business days, Franchisor shall be deemed to have rejected the proposed Local Advertisements. If written approval is given on or before the end of fifteen (15) business days, Franchisee may use the proposed Local Advertisements, but only in the exact form submitted to Franchisor.

2. Franchisee shall have the right to determine the prices at which Franchisee sells all authorized products and services. Submission of a proposed Local Advertisement to Franchisor for approval shall not be for purposes of allowing Franchisor to approve Franchisee's prices, over which Franchisor shall have no control.

3. Franchisee shall maintain white and yellow page listings for the Franchised Business in the form approved by Franchisor, in one or more telephone directories which Franchisor designates servicing the Franchised Business's market area. All telephone directory advertising shall be considered Local Advertisements, subject to Franchisor's prior approval.

B. **Grand Opening Advertising**. In addition to Franchisee's obligations for Advertising Fees Franchisee shall spend $8,000 on grand opening advertising and promotion to publicize the opening of the Franchised Business. Franchisee shall deliver to Franchisor, upon Franchisor's demand prior to the grand opening of the Franchised Business, a check for $8,000 for the payment and coordination of such grand opening advertising program. Franchisor shall assist Franchisee to create a grand opening promotional program and shall place such advertising and pay for the same with Franchisee's grand opening advertising contribution for and on behalf of Franchisee. All grand opening advertising is subject to Franchisor's approval, which Franchisee shall obtain according to the procedure for Local Advertisements.

C. **The Marketing Fund**. Franchisor shall develop the Pet Depot® Marketing Fund ("**Marketing Fund**") for the purpose of underwriting expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and identity of the Proprietary Marks and Pet Depot® Stores generally for the benefit of all Pet Depot® Stores.

1. Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, an advertising fee at a rate equal to two percent (2%) of Franchisee's Gross Sales (the "**Advertising Fee**") at the Franchised Business. The Advertising Fee shall be due and payable weekly, together with the Royalty Fee, by check or by such other method, including automatic bank debit, as Franchisor may from time to time direct. Franchisor shall deposit the Advertising Fee into the Marketing Fund, which shall be maintained in a separate bank account segregated from the Franchisor's other funds.

2. Franchisor shall use the Marketing Fund to meet all costs of maintaining, administering, directing and preparing advertising and marketing programs, public relations and market research. Franchisor will not be restricted with respect to what, where and how the Marketing Fund will be applied for these purposes. Franchisor will retain complete discretion over the form, content, time, location, market and choice of media markets for all advertising and promotion paid for from the Marketing Fund proceeds. Without limiting the scope of Franchisor's general authority and discretion, Franchisor may use the Marketing Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples, purchase media space or time, purchase outdoor advertising art and space, create direct mail advertising and literature; (ii) administer local, regional and national advertising programs, including buying direct mail and other media advertising purchasing electronic listings in white and yellow page web sites; (iii) conduct electronic advertising promoting the System and Proprietary Marks; (iv) employ advertising, public relations and media buying agencies; (v) support public relations, market research, consumer research and new product research; (vi) maintain a toll-free telephone number and system-wide intranet for franchisees to access for marketing assistance; (vii) pay expenses directly associated with maintaining and administering the Marketing Fund, including, without limitation, the cost to prepare annual accountings, expenses to collect Advertising Fees from delinquent franchisees, and the cost of

conducting the Annual Meeting if Franchisor elect to hold one; and (viii) pay for software or hardware upgrades to be used in the analysis of brand sales to negotiate purchase programs with vendors;, and (ix) to pay website maintenance costs, and for software or hardware necessary for website sales of merchandise.

3. Franchisor makes no representation that any amount of the Marketing Fund will be spent in any given geographic region or area, that monies will be spent on advertising or promotion which is national in scope, or that monies will be spent in Franchisee's market area in proportion to Franchisee's contributions to the Marketing Fund.

4. Franchisor may (i) collect rebates, credits or other payments from suppliers based on purchases or sales by Franchisee; and (ii) condition its approval of a supplier on the supplier's willingness to agree to make such payments to Franchisor or Franchisor's Affiliates on account of Franchisee's purchases. Franchisor shall have sole discretion to refund the payments to Franchisee, contribute the payments to the Marketing Fund, or retain the payments for Franchisor's own use, regardless of any designation given to the payments by the supplier. If Franchisor elects to contribute a payment to the Marketing Fund, the contribution shall not reduce Franchisee's obligation for Advertising Fees.

5. As long as Franchisee is not in Default under this Agreement, Franchisor shall make marketing, advertising and promotional formats and sample materials created by the Marketing Fund available to Franchisee with, or without, additional reasonable charge, in Franchisor's sole discretion; provided, however, Franchisor's pricing policies shall apply to all Pet Depot® franchisees. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Marketing Fund, Franchisee shall observe Franchisor's requirements with respect to protecting Confidential Information.

6. While Franchisor will attempt to expend Marketing Fund collections on a current basis, it may recover over-expenditures from subsequent years and may carry forward under-expenditures. Any portion of the Marketing Fund which is not spent during the fiscal year in which it accrues may be spent by the Marketing Fund during any following year. Franchisor may reimburse itself for internal expenses that it and its Affiliates incur directly associated with maintaining and administering the Marketing Fund including, without limitation, expenses to collect contributions and general operating expenses (such as for rent and salaries in proportion to time devoted to Marketing Fund matters) and for attorney's fees and other costs related to claims by, or against, the Marketing Fund. Upon request, Franchisor will prepare an annual accounting of the Marketing Fund and will distribute it to Pet Depot Franchisees, once a year, that will state the total amount of money collected and spent by the Marketing Fund during the previous year and list, by general category, the manner in which Franchisor spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of Franchisor's books.

7. Franchisor may, but is not obligated to, loan money to the Marketing Fund if desired expenditures for any period exceed the balance in the Marketing Fund. Any funds loaned to the Marketing Fund will be repayable upon demand when funds are available and bear interest at no more than two (2) points over the prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

8. Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor reserves the right to terminate the Marketing Fund at any time. If there is a balance in the Marketing Fund after payment of final expenses when Franchisor terminates the Marketing Fund,

Franchisor shall refund part of the balance to each Pet Depot® franchisee who paid Advertising Fees for the Accounting Period before Franchisor announced the Marketing Fund's termination in proportion to the amount of each operator's payment. Franchisor may reinstate the Marketing Fund on the terms and conditions stated in this Agreement effective upon no less than thirty (30) days written notice to Franchisee.

9. Franchisor or Franchisor's Affiliates shall contribute to the Marketing Fund an amount equal to the product of the lowest percentage rate of contribution that any Pet Depot® franchisee is then required to pay to the Marketing Fund multiplied by the Gross Sales of each Pet Depot® business which Franchisor or Franchisor's Affiliates own.

D. **Special Reimbursement Programs**. If Franchisee has paid Franchisor, and its Affiliates, all Royalty Fees, Advertising Fees and other payments due and owing to Franchisor and its Affiliates, and is current with Franchisor and its Affiliates, in all respects, Franchisor shall have the right, in its sole and absolute discretion, from time to time, to grant Franchisee the right to receive reimbursement from the Marketing Fund for Franchisee's actual paid expenditures for Local Advertisements which have been pre-approved by Franchisor in the manner provided for in Section X(A) of this Agreement, and utilized by Franchisee for the benefit of the Franchised Business, up to a maximum amount to be established by Franchisor, until the special reimbursement program is terminated by Franchisor. Upon the opening of the Franchised Business for business, Franchisee shall be entitled to receive reimbursement for one hundred percent (100%) of Franchisee's actual paid expenditures for pre-approved Local Advertisements, not to exceed the amount of Franchisee's money in the Marketing Fund at such time.

1. Within thirty (30) days after the end of each calendar year following the institution of any such special reimbursement program, Franchisee shall provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment which have been issued by Franchisee during the preceding calendar year which evidence the expenditure and payment by Franchisee for such pre-approved Local Advertisements utilized by Franchisee for the benefit of the Franchised Business. Franchisor shall review the evidence of these expenditures and, if the same are satisfactory, shall cause the Marketing Fund to reimburse Franchisee, within sixty (60) days thereafter, for such expenditures, up to a maximum percentage of the Advertising Fee paid by Franchisee to the Marketing Fund during the preceding calendar year, as established by Franchisor, in its sole and absolute discretion.

2. During the period of time that any such special reimbursement program is in effect, the balance of the Marketing Fund not allocated to the program provided for in this Section X(D) will be utilized by Franchisor for the development of institutional advertising and promotion programs. If Franchisee is entitled to reimbursement from the Fund for Local Advertisements utilized by Franchisee for the benefit of the Franchised Business during the preceding calendar year and fails to make application for reimbursement of the same with Franchisor within sixty (60) days after the end of each calendar year following the institution of any such special reimbursement program, Franchisor may, upon giving Franchisee thirty (30) days prior written notice, disburse the full amount of Franchisee's potential reimbursement to the Marketing Fund. Upon such disbursement, Franchisee shall no longer have any right to reimbursement for advertising expenditures for the subject calendar year.

3. Any special reimbursement program established by Franchisor pursuant to this Section X(D) may be terminated by Franchisor at any time, in its sole and absolute discretion, upon one hundred eighty (180) days' notice to Franchisee.

E. **Electronic Media**. Franchisee shall not separately register any domain name or any portion of any domain name containing the Proprietary Marks or participate or market on any website or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Proprietary Marks without prior express written approval from Franchisor. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisee's website, if any, shall only be accessed through Franchisor's home page. Franchisee will provide Franchisor with all proposed content for Franchisor's Internet marketing programs, and will sign Internet and intranet usage agreements, if any, as requested by Franchisor. Franchisor retains the right to approve any linking or other use of its website. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee.

F. **Retail Advisory Board**. Franchisor may elect to form a retail advertising council (the "**Retail Advisory Board**") to provide advice and suggestions regarding advertising policies for the Franchised Business. The Retail Advisory Board will consist of a designated number of franchisees selected by Franchisor ("**Franchisee Members**"). All Franchisee Members shall be in Good Standing under their respective Franchise Agreements. Franchisor may select Franchisee Members from any national or international regions in which that Franchisee Member resides or does business (the "**Regions**"). Franchisee Members will be selected based on Region and their participation with advertising sponsors. The Franchise Members are not required, however, to all be from different Regions. The Retail Advisory Board will provide a cooperative forum for Franchisee Members to receive and discuss information, to provide input, advice and planning regarding advertising matters and to encourage each franchise Owner to remain in Good Standing as the System grows and develops through fostering communications between Franchisor and its franchisees. The Franchisee Members shall serve in an advisory capacity, and the Retail Advisory Board will have no operational or decision making power. Franchisor reserves the right to form, change and/or dissolve the Retail Advisory Board in its sole discretion.

XI. SECURITY INTEREST

In order to secure payment of all Royalty Fees, Advertising Fees and all other sums that may become due to Franchisor, or its Affiliates, from Franchisee and to secure performance by Franchisee of all obligations of any kind, whenever and however incurred, in favor of Franchisor, or its Affiliates, Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Business, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Franchisee to use the Proprietary Marks, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. Franchisee hereby authorizes Franchisor to, prepare and file all Uniform Commercial Code financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code. If Franchisee is and remains in good standing under this Agreement and all other agreements with Franchisor, and its Affiliates, Franchisor will consent to Franchisee's grant of an additional security interest in the Franchised Business or in any of the assets of the Franchised Business to lenders and/or lessors providing equipment or financing for the Franchised Business. If Franchisee is in Default of any of the terms and conditions of this Agreement or any other agreements between Franchisor,

and its Affiliates, and Franchisee, Franchisor may, in its discretion, exercise its rights with respect to its security interest. In such event, Franchisee shall be and remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after application of the proceeds derived from the enforcement of Franchisor's security interest.

XII. ACCOUNTING AND RECORDS

A. **Maintenance of Business Records**. During the Term, Franchisee shall maintain full, complete and accurate business records in accordance with the standards stated in the Manual or otherwise prescribed by Franchisor in writing. Franchisee shall keep all business records and required business equipment and software systems together at the place where notices to Franchisee are required to be sent, unless Franchisor grants Franchisee permission to keep its business records elsewhere. All business records that this Agreement requires Franchisee to maintain shall be retained by Franchisee for a minimum of seven (7) years during, and following, the expiration, termination, or Franchisee's assignment, of this Agreement.

B. **Reports**. Franchisee shall submit to Franchisor weekly statistical control forms and such other financial, operational and statistical information as Franchisor may require to (i) assist Franchisee in the operation of the Franchised Business in accordance with the System; (ii) allow Franchisor to monitor Franchisee's Gross Sales, purchases, costs and expenses; (iii) enable Franchisor to develop chain-wide statistics; (iv) assist Franchisor to develop new authorized products, remove unsuccessful authorized products, including unsuccessful Proprietary Products, and improve and enhance Proprietary Products; and (v) implement changes in the System to respond to competitive and marketplace changes, provided, however, nothing herein shall prevent Franchisor from polling Franchisee's point of sale cash collection system and other financial records daily, or more frequently, by electronic or other remote means. Franchisee shall comply with Franchisor's requests for additional information, including, without limitation, supplying a copy of all sales and income tax returns relating to the Franchised Business at the time Franchisee files them with governmental authorities.

1. Franchisee shall utilize the services of an independent certified public accountant, or such other independent accountant acceptable to Franchisor and approved by Franchisor in connection with supervision of the preparation of all sales and income tax returns and other financial reports relating to the Franchised Business as described in Section XII(B)(3).

2. Franchisee shall conform to Franchisor's prescribed inventory control procedures, including, without limitation, using prescribed proprietary systems to document inventory sold, remaining inventory levels and other information pertinent to inventory and restocking. Such information shall be conveyed to Franchisor electronically and, upon request, in writing.

3. After the Opening Date, Franchisee shall submit to Franchisor (i) financial reports substantiating and documenting actual Gross Sales of the Franchised Business and providing such additional information as Franchisor may request, on forms, and in the manner prescribed by Franchisor, which cover the same Accounting Period as, and must be submitted to Franchisor on or before the date for payment of, Royalty Fees; (ii) on or before thirty (30) days after the end of each Accounting Period, in the form approved by Franchisor, a profit and loss statement and balance sheet, providing the results of operation during the Accounting Period just ended and cumulative information for the Calendar Year-to-date; (iii) within forty-five (45) days after the end of each Calendar Year during the Term and any Renewal Term, a profit and loss statement and balance sheet as of the last day of the Calendar Year, prepared in accordance with the accounting procedures stated in the Manual.

4. All reports submitted to Franchisor pursuant to this Agreement shall be executed by Franchisee or a duly authorized representative of Franchisee, certifying that the information is true and correct and that no material fact has been omitted which is necessary in order to make the information disclosed not misleading.

C. **Recording of Transactions**. Franchisee shall track and record all sales and transactions with customers of the Franchised Business utilizing the equipment, recording and point-of-sale systems prescribed by Franchisor in the Manual. Franchisee shall additionally utilize a computer terminal, dedicated modem and such other business equipment required by Franchisor and shall purchase, install and use designated non-proprietary and proprietary software programs to record business activities, sales and inventories and to prepare operating reports in accordance with the requirements of the Manual. All of the foregoing equipment and software shall by purchased and maintained by Franchisee at its sole expense and shall at all times conform to Franchisor's specifications, which Franchisor may modify in its discretion from time to time. If Franchisor requires Franchisee to use proprietary software in operating the Franchised Business, Franchisee shall execute Franchisor's form of separate software license agreement within ten (10) days after its delivery by Franchisor.

D. **Audit Rights**. Franchisor and its representatives shall have full access to examine, audit and copy Franchisee's business records relating to the Franchised Business, including Franchisee's federal and state income tax returns and sales tax returns, bank statements (including deposit slips and canceled checks), data stored on Franchisee's computer terminal, point-of-sale systems or on disk, and any other documents and information that Franchisor reasonably requests in order to verify Gross Sales or other information reported to Franchisor. Franchisor or its representatives may access Franchisee's business records kept on disk or stored on Franchisee's computer terminal at any time, without notice, by remote electronic means. Franchisor may conduct its examination in Franchisee's business office where the records are kept or request that copies of documents be made by Franchisee and sent to Franchisor or to its representatives for their examination in their office. Additionally, Franchisor may, at its expense, have an independent audit made of Franchisee's business records at any time.

1. If any examination or audit conducted by Franchisor reveals an understatement in the Gross Sales or other information reported by Franchisee to Franchisor, then Franchisee shall, within ten (10) days after notice from Franchisor, pay to Franchisor any additional Royalty Fees and Advertising Fees which are owed, together with late charges as provided in this Agreement. Additionally, Franchisor may require that, until further notice from Franchisor, all future reports and financial statements submitted by Franchisee pursuant to this Agreement be prepared by an independent certified public accountant, or such other independent accountant acceptable to Franchisor.

2. If Franchisor discovers that Franchisee has underreported Gross Sales by an amount which is two percent (2%) or more of the actual Gross Sales for the period, Franchisee shall also pay and reimburse Franchisor for all expenses that Franchisor incurs connected with Franchisor's examination and audit, including, but not limited to, Franchisor's accounting and legal fees and travel expenses. If two (2) or more audits or examinations of Franchisee's business records conducted within any twenty-four (24) month period disclose that Franchisee has underreported Gross Sales by an amount which is two percent (2%) or more of the actual Gross Sales for the period, then the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement. In addition to the consequences identified in this Agreement arising because of the understatement, Franchisor may terminate this

Agreement upon discovery of the second understatement based upon Franchisee's intentional underreporting of Gross Sales.

E. **Project Management Software**. Franchisor reserves the right to require that Franchisee use specific software applications, tracking systems or other similar means, at Franchisee's cost, which Franchisor may, from time to time, designate or specify to manage the process of developing the Franchised Location, from selection of potential sites through the completion of construction and store opening obligations.

F. **Pet Depot Data**. All data pertaining to the Franchised Business and all data created or collected by Franchisee in connection with Franchisee's operation of the Franchised Business, including, without limitation, data pertaining to, or otherwise concerning, the Franchised Business's customers and other pertinent data about the Franchised Business collected by Franchisee, including, without limitation, data uploaded to, or downloaded from Franchisee's computer system (collectively "**Pet Depot Data**") is Confidential Information and is the sole property of Franchisor. Franchisor shall have the right to review and use the Pet Depot Data in any manner that Franchisor deems appropriate without any compensation to Franchisee. Franchisee shall provide Franchisor with copies and/or originals of the Pet Depot Data within five (5) days after Franchisor's request for the Pet Depot Data at no cost to Franchisor and at any time during the Term and upon the expiration and/or termination of this Agreement. Franchisor hereby licenses use of the Pet Depot Data to Franchisee during the Term, at no cost, solely for Franchisee's use in the operation of the Franchised Business. Franchisee shall maintain the Pet Depot Data as secret and confidential throughout the Term and shall not make any of the Pet Depot Data available to any unauthorized Person without the prior written consent of Franchisor and then only in the manner permitted by Franchisor.

XIII. STANDARDS OF QUALITY AND PERFORMANCE

To protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets, and the goodwill associated with the same:

A. **Strict and Punctual Performance**. Franchisee's strict and punctual performance of all obligations set forth in this Agreement, the Manual or otherwise communicated to Franchisee in writing is a condition of the franchise granted to Franchisee. Without limiting the scope of Franchisee's duties, the failure to abide by Franchisor's standards of quality and performance shall not only constitute a breach of this Agreement, but infringement of the Proprietary Marks. Franchisee shall operate the Pet Depot Store in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Pet Depot Store, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Pet Depot System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Pet Depot Store, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Pet Depot Store consistent with the policies of Franchisor.

B. **Proprietary Products**. Franchisor may, from time to time throughout the Term, in its sole discretion, require that Franchisee purchase, use, offer, sell and promote, and maintain in stock at the

Franchised Location in quantities needed to meet reasonably anticipated consumer demand, certain proprietary pet foods, pet supplies, powder mixes, vitamin supplements, ingredients, other raw materials, equipment and other consumable and non-consumable merchandise constituting Proprietary Products. Franchisor shall not be obligated to reveal the specifications, formulas, recipes or supply arrangements of Proprietary Products, which information constitutes Confidential Information. Franchisor may, in its discretion, as frequently as it deems necessary, change the identity, specifications, formulas, recipes, inventory requirements and designations, and add new products and delete existing products, from the items that it designates as Proprietary Products. Franchisee shall conform to all changes immediately upon written notice from Franchisor unless Franchisor's written notice specifies a later implementation date. Franchisee shall purchase Proprietary Products only from Franchisor's designated suppliers, which may include Franchisor's Affiliates. Franchisor shall not be liable to Franchisee for delays or shortages in the supply of Proprietary Products or for any defect in the Proprietary Products purchased, and that Franchisee's sole remedy in any of the foregoing events shall be against the manufacturer or supplier of the Proprietary Products.

C. **Non-Proprietary Products; Alternative Suppliers**. Franchisor shall designate all Non-Proprietary Products which Franchisee may, or must, use, offer, sell or promote in operating the Franchised Business. To the extent any Non-Proprietary Products constitute inventory sold to the public, or ingredients or raw materials used to be sold to the public, Franchisee shall maintain sufficient quantities of the Non-Proprietary Products in stock at the Franchised Location in order to meet reasonably anticipated consumer demand. Franchisee shall purchase Non-Proprietary Products only from suppliers included on Franchisor's Then-Current list of approved suppliers, which Franchisor may revise in its discretion as frequently as it deems necessary. All changes in the specifications for Non-Proprietary Products, or to the list of approved suppliers, shall be communicated to Franchisee by written supplements to the Manual or otherwise in writing. Franchisee shall not place a new order for any Non-Proprietary Products with a supplier after receiving written notice of changes in the Non-Proprietary Products' specifications or that Franchisor's approval of the supplier has been withdrawn or revoked.

1. If Franchisee desires to offer for sale or use at the Franchised Business any item which does not, at that time, meet Franchisor's specifications for Non-Proprietary Products, or desires to purchase Non-Proprietary Products from a supplier not on Franchisor's approved supplier list, Franchisee shall submit a written request to Franchisor identifying the proposed item or supplier, together with (i) samples of the item for examination and/or testing so that Franchisor may evaluate if the item meets its specifications and quality standards; and/or (ii) information supporting the proposed supplier's financial capability, business reputation, delivery performance and credit rating before Franchisee makes any purchases from any unapproved supplier. Franchisor reserves the right to impose a testing fee equal to its direct out-of-pocket costs to approve an alternative product, service or supplier. Franchisee's payment of the testing fee shall be a condition to obtaining approval to offer for sale, or use, an item or buy from a supplier not previously approved by Franchisor.

2. Franchisor will notify Franchisee in writing within thirty (30) days after all requested information is received and inspection or testing is completed if it approves the proposed item and/or supplier. Each supplier designated or approved by Franchisor must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. Franchisee acknowledges and agrees that it is generally advantageous to the System to limit the number of suppliers of certain Non-Proprietary Products in any given market area and that, among the factors Franchisor may consider in deciding whether to approve a proposed supplier, is the effect its approval may have on the

ability of Franchisor and its franchisees to obtain the lowest prices and on the quality and uniformity of Non-Proprietary Products used or sold under the Proprietary Marks. At any time, Franchisor may re-inspect the facilities of an approved supplier and revoke its approval of a supplier or item if Franchisor, in the exercise of reasonable business judgment, determines doing so is in the best interests of Franchisor or the System. Revocation shall be effective upon written notice to Franchisee. Following receipt of Franchisor's notice, Franchisee shall not place any new orders for the item or with the supplier.

3. Franchisor's recommendation or approval of a supplier does not constitute a representation or warranty of the supplier's ability to meet Franchisee's purchasing requirements nor of the fitness or merchantability of the Non-Proprietary Products sold by the supplier. Franchisee's sole remedy in the event of any shortages, delays or defects in the Non-Proprietary Products purchased shall be against the manufacturer or supplier of the Non-Proprietary Products.

D. **Purchases from Franchisor or Franchisor's Affiliates**. From time to time, Franchisor or an Affiliate may be a designated supplier of specific Proprietary Products and Non-Proprietary Products in which case (i) Franchisor or Franchisor's Affiliates, as supplier, shall have sole discretion to establish and change prices and other terms of sale, shipment and delivery, which shall be stated on the invoice or purchase order form or in the Manual or by other means of communication; provided, however, the prices that Franchisee shall pay shall be the same as the prices charged to similarly situated franchisees; (ii) neither Franchisor nor Franchisor's Affiliates shall be liable to Franchisee for delays or shortages in any Proprietary Products or Non-Proprietary Products that they elect to sell to Franchisee due to causes beyond their control; (iii) at any time, Franchisor or Franchisor's Affiliates, as supplier, may discontinue the sale of any Proprietary Products or Non-Proprietary Products for any reason without notice; and (iv) neither Franchisor nor Franchisor's Affiliates shall be obligated to fill or ship any orders to Franchisee if Franchisee is in breach of any obligation under this Agreement, or after the Termination Date or Expiration Date.

E. **Standards of Service**. Franchisee shall (i) offer for sale, and sell, only the specific pet foods, pet supplies, Proprietary Products, Non-Proprietary Products, equipment, and other merchandise designated by Franchisor; (ii) label and identify all items offered for sale by the specific name designation given to them by Franchisor; (iii) use only the equipment, supplies, materials, signs, packaging and delivery services prescribed by Franchisor or which conform to Franchisor's current specifications and standards; (iv) adhere to Franchisor's instructions for storing, handling, servicing clients, grooming, veterinary services, including, without limitation, following Franchisor's specifications for weight, dimensions and other characteristics of products, Franchisor's requirements for grooming a veterinary service; (v) adhere to Franchisor's instructions regarding signs, awnings, lighting and security; and (vi) operate the Franchised Business in accordance with Franchisor's inventory, restocking, and customer service standards and specifications. All specifications shall be set forth in the Manual or otherwise communicated to Franchisee and may be revised by Franchisor as frequently as Franchisor deems necessary in its sole discretion.

1. Franchisor's authorized programs and formats may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations and other design and content features, that Franchisor may vary the required products required to be carried by a Franchisee by format, descriptions and other designations depending on market size, geographic region, store size and other factors in Franchisor's sole discretion, and Franchisor may implement changes in the and authorize tests and special promotions of new product lines, Proprietary Products, Non-Proprietary Products, equipment, and other merchandise at selected Pet Depot® Stores or within selected regions, all in Franchisor's sole discretion. Franchisee shall, at its own expense, conform to all changes implemented by

Franchisor immediately upon written notice from Franchisor unless Franchisor's written notice specifies a later implementation date. Franchisee shall not offer for sale or sell any other kind of merchandise or services, or deviate from Franchisor's current standards or specifications, except with Franchisor's prior written consent. All products shall be of the highest quality and sold only in containers and with packaging and other materials approved by Franchisor.

2. Franchisee shall not install or maintain on the Franchised Location any newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices.

3. Franchisor may, from time to time, authorize Franchisee to test market specific products or services in connection with operation of a Pet Depot® Store. Franchisee shall cooperate in test marketing programs and shall comply with Franchisor's rules and regulations established in connection therewith, without reimbursement or compensation of any kind. Franchisee shall likewise cooperate with and participate in any e-commerce programs that Franchisor implements, to serve as a local retail support center or in another capacity that Franchisor designates.

4. Franchisee shall maintain a minimum inventory of approved products at the Franchised Business equal to a wholesale value of $32 per square foot. Franchisee's required inventory value will be based upon the actual size of the retail area of the Franchised Location and will be established when the Franchised Location is obtained.

F. **POS System**. Franchisee shall purchase, use and maintain the point-of-sale cash collection system specified in the Manual or otherwise by Franchisor in writing. Additionally, Franchisee shall maintain electronic data exchange service designated by Franchisor to enable Franchisor to remotely retrieve sales, inventory and other operating data as frequently as Franchisor deems necessary. Franchisee must pay for all costs to install the POS System and training its employees to use the System. Franchisor may specify upgrades or updates to the hardware and software in the future, and there are no contractual limitations in the frequency or cost of upgrades or changes in the hardware systems and software programs that Franchisor may impose.

G. **Franchised Location and Tangible Property**. Franchisee shall, at its own expense, maintain the condition and appearance of the Franchised Location and all tangible property used to operate the Franchised Business in the highest degree of cleanliness, orderliness and repair, consistent with the standards, specifications and requirements of the System and as Franchisor may from time to time direct. Franchisee shall promptly replace any tangible property used to operate the Franchised Business which becomes worn, damaged and non-repairable, or mechanically impaired to the extent that it no longer adequately performs the function for which it was originally intended. All replacement items shall be of the same type, model and quality then specified in the Manual at the time replacement is required. Franchisee shall not alter or modify the Franchised Location or any of the tangible property used to operate the Franchised Business in a manner contrary to Franchisor's Then-Current standards.

1. Franchisee's failure to repair or maintain the Franchised Location and the tangible property of the Franchised Business in accordance with Franchisor's standards shall constitute a breach of this Agreement. Without waiving its right to terminate this Agreement for such reason, Franchisor may notify Franchisee in writing specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate a bona fide program to complete any required repair, maintenance or

corrective work within thirty (30) days after receiving Franchisor's notice, Franchisor shall have the right, in addition to all other remedies, to enter the Franchised Location and complete the required repair, maintenance or corrective work on Franchisee's behalf. Franchisor shall have no liability to Franchisee for any work performed. To the extent Franchisor elects to perform required repair, maintenance or corrective work, or to replace non-conforming property with conforming property, Franchisee shall be invoiced for labor and materials, plus a twenty-five percent (25%) service charge and an amount sufficient to reimburse Franchisor for Franchisor's actual direct costs to supervise, perform and inspect the work and procure any replacement items, including (without limitation) labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which shall be due and payable upon receipt of invoice.

2. In addition to maintaining the Franchised Location and tangible property in continuous good condition and repair in accordance with this Agreement, Franchisee shall, at its sole expense, periodically make reasonable capital expenditures to remodel, modernize and redecorate the Franchised Location so that the Franchised Business at all times reflects the Then-Current image of the System. All remodeling, modernization or redecoration of the Franchised Location must be done in accordance with the standards and specifications that Franchisor prescribes, subject to Franchisor's right to modify those standards and specifications reasonably in the exercise of Franchisor's business judgment.

H. **Compliance With Laws**. Franchisee shall at all times operate the Franchised Business in strict compliance with all Applicable Laws. Franchisee shall secure and maintain in good standing all necessary licenses, permits, deposits and certificates required to operate the Franchised Business lawfully and shall provide Franchisor with proof of compliance promptly following Franchisor's request.

I. **Credit Cards; Gift Certificates and Other System-Wide Marketing Programs**. Franchisee shall honor all credit cards designated by Franchisor and enter into and maintain, at Franchisee's sole expense, all necessary credit card agreements with the issuers of designated cards. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with Franchisee's operation of the Franchised Business, Franchisee shall maintain the security of the cardholder data and adhere to the Then-Current Payment Card Industry Data Security Standards ("**PCI DSS**"), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors. Franchisee shall participate in, and abide by, the Pet Depot® gift certificate program described in the Manual, as Franchisor may revise it from time to time, and such other system-wide marketing programs identified by Franchisor, including, without limitation, participation in designated e-commerce programs to serve as a retail support center or in another capacity for Franchisor's electronic distribution activities; provided, however, nothing herein shall limit Franchisee's right to establish the resale price of goods and services offered for sale at the Franchised Business.

J. **Complaints and Other Actions**. Franchisee shall submit to Franchisor promptly upon receipt copies of all customer complaints and notices and communications received from any government agency relating to alleged violations of Applicable Laws and hereby authorizes the government agency to provide the same information directly to Franchisor upon Franchisor's request. Additionally, Franchisee shall promptly notify Franchisor of any written threat, or the actual commencement, of any action, suit or

proceeding against Franchisee, any person who is a Primary Owner or involving the Franchised Location or the business assets which might adversely affect the operation or financial condition of the Franchised Business, and provide Franchisor with a copy of all relevant documents.

K. **Hours of Operation**. Franchisee shall operate the Franchised Business on all of the days and during the hours prescribed in the Manual, unless Franchisor's prior written approval of different days or hours is obtained or unless prohibited by the Lease. Before the Opening Date, Franchisee shall advise Franchisor of the Franchised Business' operating hours and promptly notify Franchisor of any changes in its operating hours required by the Lease. Franchisee shall prominently disclose its operating hours to the public in the manner required by the Manual, and shall be open and fully prepared to conduct business during all posted operating hours.

L. **Franchisee Employee Policies**. After the Franchised Business has opened to the public, Franchisee shall employ a sufficient number of competent, conscientious and trained employees and cause them to receive such in-store training in the System as Franchisor may require. Franchisee's Certified Managers are solely responsible for training all employees who do not participate in Phase I through Phase III Training before the Opening Date of the Franchised Business. The Franchised Business shall at all times be under the direct, personal supervision of at least one (1) Certified Manager. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be employees of Franchisor or subject to Franchisor's direct or indirect 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. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations All employees whose duties include customer service shall have sufficient literacy and fluency in the English language, in Franchisor's judgment, to adequately meet the public. Franchisee shall take all action necessary to ensure that Franchisee's employees understand and acknowledge that they are not employees of Franchisor, including, without limitation, requiring Franchisee's employees to sign a written acknowledgement that Franchisee is an independently owned and operated franchisee and their sole employer in a form specified by Franchisor in the Manuals or otherwise in writing from time to time. Franchisee shall cause all employees, while working in the Franchised Business to wear uniforms in the color, style and design then specified by Franchisor, and to present a neat and clean appearance. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisorial or managerial personnel for qualification to perform certain functions at the Franchised Business does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions related 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, employment policies applicable to its employees, and understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchisee's discretion to make all employment-related decisions. Franchisee shall neither request from Franchisor, nor expect to receive from Franchisor, and Franchisor shall not provide Franchisee with any advice on these subjects. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in

employment law. Franchisee shall immediately indemnify, defend, reimburse and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Franchised Business, including, without limitation, those relating to hiring, firing, training, wages and hour requirements, record keeping, supervision, and discipline of employees.

M. **Co-Branding**. Franchisee may not engage in any co-branding in, or in connection with, the Franchised Business except with Franchisor's prior written consent. Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Pet Depot® Stores. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another Entity (not Franchisor) that is featured or incorporated within the Franchised Business or is adjacent to the Franchised Business and operated in a manner which is likely to cause the public to perceive it to be related to the System.

N. **Authorization to Release Information and Use Images**. Franchisee hereby authorizes (and shall execute any other documents deemed necessary to effect such authorization) (i) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Franchised Business which Franchisor may request; (ii) Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, in Franchisor's sole discretion, that such disclosure is necessary or advisable; (iii) Franchisor to photograph and film Franchisee, its employees, the public and all areas of the Franchised Location, without further authorization from, or compensation to, Franchisee and to use their images for marketing and promotion of the Franchised Location, other Franchised Businesses and franchises for Franchised Businesses; and (iv) Franchisor to disclose to third parties, including but not limited to Franchisee's Landlord or bank, information about Franchisee relating to Franchisee's obligations or performance under this Agreement if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary or advisable.

O. **Adequate Reserves and Working Capital**. Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Franchised Business for at least three (3) months.

P. **Notification of Legal Proceedings and Crisis Management Events.** Franchisee shall notify Franchisor in writing within ten (10) days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect Franchisee's operation of the Franchised Business or ability to meet its obligations hereunder. Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

Q. **Data Security Safeguards**. Franchisee shall exert Franchisee's best efforts to protect its customers against a cyber-event, including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a "**Cyber Event**"). If a Cyber Event occurs, regardless of whether the Cyber Event affects only the Franchised Business, Franchisor reserves the right, but shall not have any obligation, to perform and/or control and/or cause its third-party consultants to perform and/or control all

aspects of the response to the Cyber Event including, without limitation, the investigation, containment and resolution of the Cyber Event and all communications within the Pet Depot franchise system and with vendors and suppliers, Governmental Authorities and the general public. Franchisor's control of the response to a Cyber Event may potentially affect or interrupt operations of the Franchised Business, but shall not create any liability for Franchisor or additional rights for Franchisee, entitle Franchisee to damages or relieve Franchisee of Franchisee's indemnification obligations under Section XX. Franchisee shall reimburse Franchisor for all of Franchisor's out-of-pocket costs and expenses incurred in responding to and remedying any Cyber Event caused solely by Franchisee or the Franchised Business. Franchisee shall at all times be compliant with (i) the NACHA ACH Security Framework; (ii) the Payment Rules; (iii) Applicable Law regarding data privacy, data security and security breaches; and (iv) Franchisor's security policies and guidelines, all as may be adopted and/or amended from time to time (collectively, "**Data Security Safeguards**"). Franchisee shall obtain advice from Franchisee's own legal and security consultants to ensure that Franchisee operates the Franchised Business at all times in full compliance with the Data Security Safeguards. Notwithstanding Franchisor's right to perform and/or control all aspects of a response to a Cyber Event, Franchisor shall make commercially reasonable efforts to coordinate its response with Franchisee and Franchisee's insurance carrier(s) and to cooperate with Franchisee's insurance carrier(s) regarding insurance coverage of the Cyber Event to the extent reasonably practicable under the circumstances.

R. **Payment of Debts**. Franchisee shall be solely responsible for selecting, retaining and paying Franchisee's employees; the payment of all invoices for the purchase of goods and services used in connection with operating the Franchised Business and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the opening and operation of the Franchised Business. Franchisee shall pay all obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between suppliers and Pet Depot franchisees. Franchisee shall make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes arising from Franchisee's operation of the Franchised Business. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any of these taxes.

XIV. FRANCHISOR'S OPERATIONS ASSISTANCE

In addition to obligations stated elsewhere in this Agreement, and provided Franchisee is not in Default under the terms of this Agreement, Franchisor shall provide the following services:

A. **Continuing Consultation and Advice**. As and to the extent required in Franchisor's judgment, Franchisor shall provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues which Franchisee brings to Franchisor's attention. Franchisor shall have absolute discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other Pet Depot® franchisees. For example and without limitation, consultation and advice may be provided by telephone, in writing (in which case Franchisor shall determine the method for delivering such writing (i.e., facsimile or mail), electronically, in person, or by other means. Upon Franchisee's request, Franchisor may agree to provide on-site instruction and assistance at a mutually-scheduled time, provided Franchisee pays Franchisor its Then-Current per diem fee set forth in the Manual, plus reimbursement of Franchisor's reasonable expenses in providing on-site instruction, including, without limitation, expenses for air and ground transportation, lodging, meals,

and personal charges. Franchisee acknowledges and agrees that the results of Franchisee's efforts to operate a Pet Depot Store rest solely with Franchisee. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Franchised Business for which Franchisor has not established Pet Depot Approved Suppliers.

B. **Inspections**. To protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets and the goodwill associated with the same, in addition to Franchisor's audit rights described in this Agreement, Franchisee expressly authorizes Franchisor and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the premises of the Franchised Location and conduct regular inspections of the Franchised Business and Franchisee's methods of operation, including, without limitation, observing and conducting discussions with Franchisee's supervisorial or managerial personnel, observing customer interaction and services, and reviewing Franchisee's books and records (including, without limitation, data stored on Franchisee's computer hard drive and disks) in order to verify compliance with this Agreement and the Manual. Franchisor and its representatives reserve the right to select or request that Franchisee provide them, free of charge, with inventory, equipment, advertising and other samples for inspection and evaluation purposes to make certain that the items conform with Franchisor's Then-Current standards. Franchisee shall cooperate fully with Franchisor's inspections and promptly cure all deviations from Franchisor's standards, specifications and operating procedures which Franchisee is notified of either orally or in writing.

C. **Annual Meeting**. In addition to additional training, Franchisor may conduct an annual meeting at a location that Franchisor selects (the "**Annual Meeting**") to address recently-implemented changes in the System and other topics of common interest to franchisees, including, without limitation, new merchandising approaches, changes in Proprietary Products and Non-Proprietary Products, industry trends, customer relations, personnel administration, local retail marketing, and competitive changes in the market for pet foods, pet supplies and related products and merchandise. If Franchisor chooses to conduct an Annual Meeting, it will establish its agenda and length; provided, however, the Annual Meeting shall not exceed four (4) days in any twelve (12) month period. Franchisee or at least one person who is a Primary Owner or other supervisorial or managerial personnel must attend each Annual Meeting held, and Franchisor may additionally require the attendance of Franchisee's Certified Managers or other designated supervisorial or managerial personnel at one or more Annual Meetings, but in no event shall Franchisor require attendance by more than four (4) persons. Franchisor will not impose a fee to attend the Annual Meeting, but Franchisee must pay the transportation, lodging, personal expenses and salary for each employee who attends an Annual Meeting.

D. **Research and New Developments**. As and to the extent required in Franchisor's judgment, Franchisor will investigate and conduct market research, monitor the activities of competitors, and monitor advances in products that compete with Proprietary Products in order to maintain and enhance the reputation and demand for Pet Depot® franchises and the products and merchandise sold therefrom.

E. **Toll Free Telephone Number**. Franchisor has the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a

toll free number, Franchisee shall comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Manuals or otherwise in writing.

XV. INSURANCE

A. **Minimum Coverage**. Franchisee shall obtain, prior to commencement of business at the Franchised Business, and shall maintain in full force and effect during the Term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Business in such types and amounts as specified in the Confidential Operations Manual. As of the Effective Date, such policy or policies must contain:

1. Comprehensive general liability insurance with minimum coverage per Franchised Location of $2,000,000.00 combined single limit (including, without limitation, broad form contractual liability, products/completed operations, personal and advertising injury, medical payments and fire damage liability), or the higher amount required by the Lease, insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or otherwise relating to the Franchised Business or the activities of Franchisee's employees. The required liability coverage shall not be limited in any way by reason of any insurance which Franchisor maintains. Franchisor shall be named an additional insured on each liability policy.

2. Workers compensation and employer's liability insurance as required by Applicable Law.

3. All "**Risks**" or "**Special**" form general casualty insurance coverage insurance including (without limitation) fire and extended coverage, vandalism and malicious mischief insurance, for any vehicle that Franchisee uses in operating the Franchised Business and for additional perils (including, without limitation, flood and earthquake coverage) if applicable to the area with the Franchised Business is located, for the full replacement value of the Franchised Business and its contents based on the cost of replacing the damaged or destroyed property with property meeting Franchisor's current specifications at the time replacement is required. The minimum coverage shall be no less than the amount specified in the Manual on the Effective Date.

4. Business interruption insurance covering actual losses and contract liabilities (including, without limitation, obligations to Franchisor and Franchisor's Affiliates under this Agreement or for minimum inventory quantities of Proprietary Products) that Franchisee may sustain, for a twelve (12) month period minimum.

5. Employment Practices Liability Insurance.

6. Additional types and amounts of insurance coverage as may be required by the Lease, including coverage for all parties which the Lease requires be covered as additional insureds.

B. **Additional Insurance Specifications**. Franchisor shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of

insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Franchisor's experience with claims, or for other commercially reasonable reasons. Franchisee shall comply with any change imposed by Franchisor within thirty (30) days after written notice from Franchisor and shall submit written proof of compliance to Franchisor upon request.

1. Each insurance policy required by this Agreement shall be written by insurance companies of recognized responsibility meeting the standards stated in the Manual. Before the Opening Date, or the earlier date specified in the Lease, Franchisee shall submit to Franchisor certificates of insurance showing compliance with Franchisor's insurance requirements. All certificates shall state that the policy will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor. Certificates evidencing the insurance required by this Article XV shall name Franchisor and its Affiliates, partners, shareholders, directors, agents, and employees as additional insureds, on the additional-insured Grantor of Franchise Form CG2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any breach by Franchisee of any policy provisions for which such Certificates evidence coverage. Franchisee shall cause certificates of insurance showing compliance with the above requirements to be delivered to Franchisor annually upon renewal and at such other times as Franchisor may request. Maintenance of required insurance shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

2. Franchisee shall cause each policy of insurance required by this Agreement to include a waiver of subrogation, which shall provide that Franchisee and Franchisor each releases and relieves the other, and each waives its entire right to recover damages, in contract, tort and otherwise, against the other for any loss or damage occurring to Franchisee's property arising out of or resulting from any of the perils required to be insured against under this Agreement. The effect of these releases and waivers by Franchisor and Franchisee shall not be limited by the amount of insurance carried by Franchisee or required by this Agreement or by any deductible applicable thereto.

3. Should Franchisee not procure or maintain the insurance required by this Agreement, Franchisor may, without waiving its right to declare a breach of this Agreement based on Franchisee's Default, procure the required insurance coverage at Franchisee's expense, although Franchisor has no obligation to do so. Franchisee shall pay Franchisor an amount equal to the premiums and related costs for the required insurance in full upon receipt of invoice, plus a twenty-five percent (25%) service charge and an amount sufficient to reimburse Franchisor for its actual direct costs in obtaining the required insurance.

4. The minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Franchisor that the minimum coverage and specified types of insurance will be sufficient for the Franchised Business. Franchisee is solely responsible for determining if the Franchised Business requires higher coverage limits or other types of insurance protection.

XVI. COVENANTS

A. **Competition**.

1. **Non-Competition During Term of Agreement**. Franchisee (or, if Franchisee is a corporation, limited liability company, or partnership, all principals of Franchisee), covenants that during the Term and any Renewal Term, Franchisee, Franchisee's Affiliates and any Restricted Person shall not,

directly or indirectly, own (either beneficially or of record), engage in or render services to, any Competitive Business, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, located anywhere in the world which derives more than ten percent (10%) of its gross sales from the manufacture, sale or distribution, at retail or wholesale, of pet food, pet supplies, veterinary services for animals, pet grooming or any other service that Franchisor deems to be part of the services it offers to the public, provided, however, the restrictions stated in this Section XVI(A)(1) shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, Parties, general partner, employee or otherwise associated in any capacity with Franchisee.

2. **Non-Competition After Expiration or Termination of Agreement**. Unless Franchisee is a conversion franchisee or owned or operated an animal hospital prior to opening the Franchised Business, Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about a retail pet store and/or animal hospital or Pet Depot Store and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Franchised Business under this Agreement. Franchisee specifically acknowledges and agrees that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques for retail pet stores and/or animal hospitals and of Franchisor and the System. For two (2) years following (i) the Termination Date or Expiration Date of this Agreement for any reason; (ii) a Transfer; or (iii) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section XVI(A)(2), whichever occurs first, Franchisee (or, if Franchisee is a corporation, limited liability company, or partnership, all principals of Franchisee), covenants that Franchisee, Franchisee's Affiliates and any Restricted Person shall not, directly or indirectly, own (either beneficially or of record), engage in or render any services to, any Competitive Business located within the Covered Area, including at the Franchised Location, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent; provided, however, the restrictions stated in this Section XVI(A)(2) shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, Parties, general partner, employee or otherwise associated in any capacity with Franchisee.

B. **Violations of Non-Compete**. If Franchisee shall commit any violation of Section XVI(A)(2), during the two (2) year period following (i) the Termination Date or Expiration Date of this Agreement for any reason; (ii) a Transfer; or (c) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section XVI(A)(2), in addition to all other remedies available to Franchisor, Franchisee shall pay Franchisor, throughout the two (2) year period, five percent (5%) of all revenue derived from the operation of the Competitive Business, including the sale of any merchandise, other products and services at or from the Competitive Business and all other income of every kind and nature of the Competitive Business ("**Post Termination Gross Sales**") in violation of Section XVI (A)(2). Franchisor shall have the right to audit the books and records of the Competitive Business in the manner described in Section XII (D) of this Agreement to confirm Franchisee's compliance with this Section XVI(B), upon reasonable prior notice to Franchisee.

C. **Exceptions to Non-Compete Covenants**. The restrictions against competition in this Article XVI do not apply to (i) the rights granted to Franchisee, Franchisee's Affiliates or any Restricted Person under another Franchise Agreement pertaining to the use of the System or Proprietary Marks; or (ii) to the ownership by Franchisee, Franchisee's Affiliates or any Restricted Person of five percent (5%) or less of the

voting stock of an Entity whose shares are publicly traded on a national or foreign stock exchange that manufactures, sells or distributes, at retail or wholesale, pet supplies, vet services or pet grooming.

D. **Reducing Scope of Covenants**. Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant in Section XVI(A)(1) and Section XVI(A)(2) or any portion thereof, without Franchisee's consent, effective immediately upon Franchisee's receipt of written notice thereof, and Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable under this Agreement.

E. **Permission from Franchisor**. If Franchisor expressly grants Franchisee permission in writing to compete with Franchisor pursuant to an arrangement made under Section XVI(D) or otherwise, as a condition to being granted such permission, Franchisee shall pay Franchisor, throughout the two (2) year period following (i) the Termination Date or the Expiration Date for any reason; (ii) a Transfer, or (iii) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section XVI(A)(2), five percent (5%) of the Post Termination Gross Sales of the Competitive Business, including, but not limited to, any competitor, customer, client, vendor, or account of Franchisor who was procured by Franchisee with whom Franchisee became acquainted by reason of this Agreement, or by reason of Franchisee's access to, or knowledge of, the Confidential Information disclosed to Franchisee during the term of this Agreement. Franchisee shall account for and pay the five percent (5%) of the Post Termination Gross Sales to Franchisor on the fifteenth day of each month on Post Termination Gross Sales earned during the previous month. Franchisor shall have the right to audit the books and records of the Competitive Business in the manner described in Section XII(D) of this Agreement to confirm Franchisee's compliance with this Section XVI(E), upon reasonable prior notice to Franchisee.

F. **Reasonable Good Faith Estimate**. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee shall commit any violation of Section XVI(A)(2) during the two (2) year period following (i) the Termination Date or the Expiration Date, for any reason; (ii) a Transfer; or (iii) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section XVI(A)(2), or if Franchisor expressly grants Franchisee permission in writing to compete with Franchisor pursuant to an arrangement made under Section XVI(E) or otherwise, due to the complications inherent in determining the amount of revenue that may be lost by Franchisor because of the uncertainty regarding the number of months left to complete the Then-Current Term of this Agreement, the uncertainty regarding the Gross Sales of the Franchised Business during the remainder of the Then-Current term of this Agreement, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Franchised Business, and the like, as well as the amount of the fees that Franchisor would collect from Franchisee upon the occurrence of the circumstances described in Section XVI(A)(2). Franchisor and Franchisee further acknowledge and agree that the five percent (5%) fee is a reasonable, good faith estimate of such damages.

G. **Interference**. Neither Franchisee nor any Restricted Person shall, directly or indirectly, for itself or on behalf of any other person, during the Term of this Agreement, or thereafter divert, or attempt to divert, any business or customer of the Franchised Business to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Proprietary Marks or the System.

H. **Survival**. The covenants stated in this Article XVI shall survive termination, expiration or the Transfer of this Agreement.

I. **Savings Clause**. The Parties acknowledge that the covenants set forth in this Article XVI are independent of the other covenants and provisions of this Agreement. If any provision in this Article is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Franchised Location is located (the "**Local Laws**"), the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of this Article XVI, but only with respect to those subjects. Franchisee expressly authorizes Franchisor to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Franchisee expressly agrees, on behalf of itself and each Restricted Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

J. **Enforcement**. Franchisor shall suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Restricted Person breaches the covenants set forth in this Article XVI. Accordingly, if a breach occurs, Franchisee, on behalf of itself and each Restricted Person, hereby consents to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may be granted by a court having proper jurisdiction, without the requirement that Franchisor post bond. Franchisee further agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

XVII. DEFAULT AND TERMINATION

A. **Termination In the Event of Franchisee's Bankruptcy or Insolvency**. Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee of this Agreement shall automatically terminate without notice to Franchisee, if Franchisee or Primary Owner becomes insolvent or makes a general assignment for the benefit of creditors, if a petition in bankruptcy is filed by Franchisee or Primary Owner or such a petition is filed against and not opposed by Franchisee or Primary Owner, if Franchisee or Primary Owner is adjudicated as bankrupt or insolvent, if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or Primary Owner or other custodian for Franchisee's or Primary Owner's business or assets is filed and consented to by Franchisee or Primary Owner, if a receiver or other custodian (permanent or temporary) of Franchisee's or Primary Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, if proceedings for a composition with creditors under any state or Federal law is instituted by or against Franchisee or Primary Owner, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), if Franchisee or Primary Owner is dissolved, if franchisee admits franchisee is unable to generally pay Franchisee's or Primary Owner's debts as they become due, if execution is levied against Franchisee's or Primary Owner's business or property, if suit to foreclose any lien or mortgage against Franchisee's or Primary Owner's business premises or equipment is instituted against Franchisee or Primary Owner and not dismissed within thirty (30) days, or if the real or personal property of Franchisee's or Primary Owner's business shall be sold after levy thereupon by any sheriff, marshal, or constable.

B. **Termination By Franchisor Without Opportunity to Cure**. Franchisor may terminate this Agreement, in its discretion and election, effective immediately upon Franchisor's delivery of written notice of termination to Franchisee based upon the occurrence of any of the following events which shall be specified in Franchisor's written notice, and Franchisee shall have no opportunity to cure a termination based on any of the following events:

1. If Franchisee fails to obtain approval of the Franchised Location or deliver an executed Lease and Lease Assignment Agreement on or before the deadlines specified in this Agreement.

2. If Franchisee fails to open the Franchised Business to the public on or before the Opening Date, as specified in this Agreement.

3. If Franchisee (or any guarantor, officer or director of or a shareholder in Franchisee, if Franchisee is a corporation, or a general or limited partner of Franchisee, if Franchisee is a partnership, or a member, if Franchisee is a limited liability company) or any other franchisee of Franchisor which is a Franchisee Affiliate) fails or refuses to pay, on or before the date payment is due, any fees or other amounts payable to Franchisor, Franchisor's Affiliates or the Marketing Fund, and should the Default continue for a period of ten (10) days after written notice of Default is given by Franchisor to Franchisee.

4. If Franchisee fails or refuses to submit any report or financial statement on or before the date due, and should the Default continue for a period of ten (10) days after written notice of Default is given by Franchisor to Franchisee.

5. If Franchisee loses the right to possession of the Franchised Location due to Franchisee's breach of the Lease which either cannot be cured or which Franchisee has failed to cure within the allowed time period.

6. If Franchisee (or any guarantor, officer or director of or a shareholder in Franchisee, if Franchisee is a corporation, or a general or limited partner of Franchisee, if Franchisee is a partnership, or a member, if Franchisee is a limited liability company or any other franchisee of Franchisor which is a Franchisee Affiliate) commits an event of Default under any other agreement by and between Franchisee and Franchisor pertaining to the Franchised Business and franchise granted by this Agreement which, by its terms, cannot be cured or which Franchisee has failed to cure within the allowed time period, including (without limitation) a Default under any Guarantee.

7. If (i) Franchisee makes any general arrangement or assignment for the benefit of creditors or become a debtor as that term is defined in 11 U.S.C. §101 or any successor statute, unless, in the case where a petition is filed against Franchisee, Franchisee obtains an order dismissing the proceeding within sixty (60) days after the petition is filed; (ii) if a trustee or receiver is appointed to take possession of all, or substantially all, of the assets of the Franchised Business, unless possession of the assets is restored to Franchisee within thirty (30) days following the appointment; (iii) if Franchisee admits Franchisee is generally unable to pay Franchisee's debts and liabilities as they become due; or (iv) if all, or substantially all, of the assets of the Franchised Business or the franchise rights are subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within thirty (30) days following issuance.

8. If Franchisee, or any duly authorized representative of Franchisee, makes a material misrepresentation or omission in obtaining the franchise rights granted hereunder, or if Franchisee, or any officer, director, shareholder, member, manager, or general partner of Franchisee, is convicted of, or pleads no contest to, a felony charge or engage in any conduct or practice that, in Franchisor's reasonable opinion, reflects unfavorably upon or is detrimental or harmful to the good name, goodwill or reputation of Franchisor or to the business, reputation or goodwill of the System or the Proprietary Marks.

9. If Franchisee makes any purported assignment or Transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business or any other Pet Depot Stores owned by Franchisee, whether individually or collectively, to any Proposed

Buyer without Franchisor's prior written consent, or any Transfer of twenty-five percent (25%) or more of the capital stock membership interests, partnership rights, or other Equity ownership interests of Franchisee, contrary to the conditions governing the Transfer of rights under this Agreement.

10. If an order is made or resolution passed for the winding-up or the liquidation of Franchisee (if Franchisee a corporation, limited liability company, partnership or other business entity) or if Franchisee adopts or takes any action for its dissolution or liquidation.

11. If Franchisee has received from Franchisor, during any consecutive twenty-four (24) month period, three (3) or more notices of Default (whether or not the notices relate to the same or to different Defaults and whether or not the Defaults were timely cured by Franchisee).

12. If Franchisee makes any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the Manual, or should any person required by this Agreement to execute a Confidentiality, Non-Disclosure and Non-Competition Agreement with Franchisor or Franchisee breach the Confidentiality, Non-Disclosure and Non-Competition Agreement.

13. If Franchisee abandons or fails or refuses to actively operate the Franchised Business for any consecutive three (3) day period or any period that Franchisor may reasonably conclude that Franchisee does not intend to continue operating it, unless Franchisee obtains Franchisor's written consent to close the Franchised Business for a specified period of time before Franchisee ceases regular activities.

14. If Franchisee materially misuses or makes an unauthorized use of any of the Proprietary Marks or commits any other act which does, or can reasonably be expected to, materially impair the goodwill or reputation associated with any of the Proprietary Marks or the System.

15. If Franchisee purchases Proprietary Products or Non-Proprietary Products from any supplier other than Franchisor or its designees or approved suppliers, and Franchisee fails to cure such Defaults within three (3) days after receiving notice to do so from Franchisor.

16. If two (2) or more audits or examinations of Franchisee's business records conducted within any twenty-four (24) month period disclose that Franchisee has underreported Gross Sales by an amount which is two percent (2%) or more of the actual Gross Sales for the period, the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement, and Franchisor may terminate this Agreement upon discovery of the second understatement.

17. If Franchisee fails to comply with any Applicable Laws governing the operation of the Franchised Business within ten (10) days after being notified of non-compliance.

18. If Franchisee shall Default in any obligation under this Agreement or any other agreement between Franchisor and Franchisee that is not by its nature capable of being cured by Franchisee.

C. **Termination by Franchisor With Right to Cure**. If Franchisee breaches, or refuses to fulfill or perform, any obligation arising under this Agreement not identified in Section XVII(A) above, or fails or refuses to adhere to any mandatory operating procedure, specification or standard prescribed by Franchisor in the Manual or otherwise communicated to Franchisee, Franchisor may terminate this Agreement, in its discretion and election, effective thirty (30) days after giving a written notice of Default to

Franchisee which specifies the grounds of Default, if Franchisee fails to cure the Default cited in the notice. Franchisor shall indicate its decision to terminate by notice given to Franchisee after the end of the thirty (30) day cure period. If a Default cannot reasonably be cured within thirty (30) days, Franchisee may apply to Franchisor for additional time to complete the cure. The length of the additional cure period, if any, allowed by Franchisor shall be stated in writing by Franchisor. If Franchisor grants an extension and if Franchisee does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Franchisor.

D. **Effect of Termination or Expiration**. Termination or expiration of this Agreement shall result in the concurrent, and automatic, termination of all agreements between the Parties pertaining to the Franchised Business or the franchise granted by this Agreement. Notwithstanding the termination of this Agreement, the Parties agree that any other Franchise Agreements then in effect between the Parties concerning other Pet Depot® Stores owned by Franchisee shall remain in full force and effect, unless the grounds which Franchisor has relied upon to terminate this Agreement also constitute grounds for terminating the other Franchise Agreements and Franchisor has satisfied all requirements to terminate the other Franchise Agreements. In any proceeding in which the validity of termination of this Agreement is at issue, Franchisor shall not be limited to the reasons set forth in any notice of termination or Default given to Franchisee.

E. **Interim Management**. To protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets and the goodwill associated with the same, after Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Franchised Business during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Franchised Business (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement; (ii) Franchisor shall not be liable for any debts, losses, costs or expenses incurred in the operation of the Franchised Business during any such interim management period; (iii) Franchisor shall have the right to charge a reasonable fee for the management services, not to exceed $250 per day; and (iv) Franchisee shall, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Franchised Business, other than those arising solely from the gross negligence or willful misconduct of Franchisor.

F. **Cross-Default**. Any Default by Franchisee under the terms and conditions of this Agreement, any Area Development Agreement, Agreement, Lease, or any other agreement between Franchisor, or its Affiliates, and Franchisee, shall be deemed to be a Default of each and every other agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between the Parties, Franchisor may, at its option, terminate any or all of such other agreements.

XVIII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

To protect the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets and the goodwill associated with the same:

A. **Franchisee's Obligations**. On and after the Termination Date or Expiration Date of this Agreement:

1. Franchisee shall, within ten (10) days following the Termination Date or Expiration Date, Franchisee shall pay all fees and other amounts owed to Franchisor, including, without limitation, late charges and interest on any late payments. Royalty Fees and Advertising Fees imposed under this Agreement, shall continue to be due and payable (and late charges and interest thereon assessed) after the Termination Date or Expiration Date until the date that Franchisee completes all post-termination obligations required by this Agreement. Franchisee shall also pay Franchisor all damages, costs and expenses, and reasonable attorneys' fees, incurred by Franchisor in enforcing the Default and termination provisions of this Agreement. Franchisee's payments shall be accompanied by all reports required by Franchisor regarding Gross Sales and business transactions through the date of payment.

2. Franchisee shall immediately cease using and, within forty-eight (48) hours after the Termination Date or Expiration Date, deliver to Franchisor the Manual, all documents, proprietary software and supporting documentation, if any, and all other confidential or proprietary materials that Franchisor has provided to Franchisee pursuant to this Agreement, and shall retain no copy or record of any of the foregoing. Continued use by Franchisee of any copyrighted material shall constitute willful copyright infringement by Franchisee.

3. With respect to the Franchised Location, Franchisor may, pursuant to the Lease Assignment Agreement, accept an assignment of the Lease, in which case, upon notice from Franchisor, Franchisee shall forthwith vacate the Franchised Location, leaving it in good condition and repair with all fixtures and equipment in good working order. Franchisor shall give Franchisee written notice of its election to accept an assignment of the Lease within ten (10) days after the Termination Date or Expiration. Franchisor's failure to timely notify Franchisee shall signify its decision not to accept an assignment of the Lease. If Franchisee fails or refuses to comply with the requirements of this Section XVIII(A)(3) following Franchisor's demand that Franchisee do so, Franchisor shall have the right to immediately enter into negotiations with the landlord of the Franchised Location regarding assumption of the Lease and to enter the Franchised Location and conduct business at the Franchised Business, without being guilty of trespass or any other tort. In addition, Franchisor may make or cause to be made such changes to the Franchised Business as may be required to enable Franchisor, or its Affiliates, or another franchisee of Franchisor, to continue the operation of the Franchised Business at the Franchised Location, all at the expense of Franchisee, which expense Franchisee shall pay to Franchisor upon demand. If Franchisor does not accept an assignment of the Lease, Franchisee shall, at its sole cost and expense, within twenty (20) days after the Termination Date or Expiration, remove all signs and other physical and structural features that readily identify the site as a Pet Depot®, in a manner acceptable to Franchisor, so that the former Franchised Location no longer suggests or indicates a connection with the System.

4. Franchisee shall cease selling all Proprietary Products. This obligation shall extend to perishable and non-perishable Proprietary Products, regardless of their condition.

5. Franchisee shall permanently cease using, in any manner whatsoever, the Proprietary Marks, Confidential Information, Proprietary Products, and any other property associated with the System or which suggest or indicate that Franchisee is, or was, an authorized Pet Depot® franchisee or continues to remain associated with the System. Franchisee shall cancel all advertising and promotional activities which associate Franchisee with the System. Franchisee acknowledges and agrees that Franchisee's continued use of any of the Proprietary Marks or Confidential Information after the expiration or termination of this Agreement shall constitute an unauthorized use of the Proprietary Marks and

Confidential Information and shall, in addition to all other remedies to which Franchisor may pursue, entitle Franchisor to recover damages for trademark infringement, unfair competition and counterfeiting.

6. Franchisee shall take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to its use of the Proprietary Marks.

7. Franchisee shall cease using all telephone and facsimile numbers and listings used in operating the Franchised Business and take all steps necessary to remove all telephone and other business directory listings that display any of the Proprietary Marks. Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor demonstrating Franchisee's compliance with this obligation within ten (10) days after the Termination Date or Expiration Date. Franchisor shall have the right to demand an assignment of the telephone and facsimile numbers and listings, in which case Franchisee hereby consents to the assignment, without compensation, as of the Termination Date or Expiration Date.

8. Franchisee shall comply with the covenants set forth in Article XVI of this Agreement.

9. Franchisee shall keep and maintain all business records pertaining to the business conducted at the Franchised Business for seven (7) years after the Termination Date or Expiration Date. During this period, Franchisee shall permit Franchisor to inspect such business records as frequently as Franchisor deems necessary.

10. Franchisee shall execute a General Release.

11. Franchisor shall purchase from Franchisee, and Franchisee shall sell to Franchisor, all non-perishable Proprietary Products in saleable condition at Franchisee's actual cost.

12. Franchisee shall assign to Franchisor or Franchisor's designee all right, title and interest in and to all phone and fax numbers, email addresses, domain names, social media and other Internet addresses used in operation of the Pet Depot Franchised Business and/or services associated with the same. Franchisee shall sign the instruments Franchisor requests to confirm the assignments and transfers to Franchisor.

B. **Franchisor's Right to Purchase Proprietary Products and Other Assets**. On and after the Termination Date or Expiration Date of this Agreement, Franchisor shall have the option to purchase the "**tangible assets**" (as defined in Section XVIII(B)(2)(a) of this Agreement) of the Franchised Business at their Then-Current fair market value and in accordance with the procedures described in this Section XVIII(B). Franchisor shall exercise its option by written notice to Franchisee within thirty (30) days after termination of this Agreement.

1. For purposes of this Section XVIII(B), "**tangible assets**" shall mean only the leasehold improvements, furniture, fixtures, equipment and interior and exterior signs at the Franchised Business. The purchase price for the tangible assets shall be the lesser of their net book value (using a five (5)-year straight line amortization period) or their Then-Current fair market value less the amount of all fees and obligations due to Franchisor, or its Affiliates, from Franchisee and less the amount of any current and long term liabilities of the Franchised Business to be assumed by Franchisor as described in this Section XVIII(B). The purchase price for the tangible assets shall not contain any amount for "**goodwill**", "**going**

concern value" or Initial Franchise Fees, Royalty Fees, Advertising Fees or any other sums paid to Franchisor by Franchisee prior to the termination of this Agreement. In addition, the purchase price for the tangible assets shall not include payment for any supplies or leasehold improvements, equipment, fixtures or signs which Franchisor deems obsolete or has theretofore designated as failing to meet quality standards for the System. Franchisor shall have the right to assign its option to purchase the tangible assets at the Franchised Business and to obtain an assignment of any Lease to an assignee of Franchisor's choice at any time prior to the close of escrow. The amount of the purchase price for the tangible assets shall be included by Franchisor in its notice of its exercise of the option to purchase the tangible assets.

2. If Franchisee does not accept Franchisor's purchase price for the tangible assets within ten (10) days following the date of Franchisor's notice, within ten (10) days thereafter, each Party shall name an appraiser to independently ascertain the purchase price for the tangible assets in accordance with the criteria set forth in this Section XVIII(B). If the two (2) appraisals are in "**substantial agreement**," the "average" of the two (2) appraisals will be the purchase price. For this purpose, "**substantial agreement**" means a difference in the two (2) appraisals of less than fifteen percent (15%) of the higher appraisal and the term "**average**" means one-half (1/2) of the sum of the two (2) appraisals. If the two (2) appraisals are not in substantial agreement, the two (2) appraisers will jointly choose a third appraiser within ten (10) days of the date that the last appraisal is delivered to the Parties who shall conduct his appraisal of the tangible assets within thirty (30) days. If a third appraiser is utilized, the purchase price will be the average of the two (2) appraisals which are closest to each other. The Parties shall share equally the fees and expenses of the third appraiser, but each Party shall be responsible for the fees and expenses of his or its appraiser. Each Party shall bear its own expenses in presenting evidence to the appraisers. In determining the purchase price for the tangible assets, the appraisers shall consider all relevant material submitted to them by the Parties or otherwise obtained by them and shall set forth their determinations in writing, together with their opinions and the considerations on which the opinions are based, with a signed counterpart to be delivered to each Party within thirty (30) days. The purchase price for the tangible assets shall be reduced by the current and long term liabilities of the Franchised Business (except liabilities owed to Franchisee or its principals) to be assumed by Franchisor, up to the amount of the purchase price, subject to all defenses available to Franchisee.

3. The balance of the purchase price for the tangible assets remaining after the deductions described in this Section XVIII(B) shall be payable to Franchisee as follows, unless the Parties otherwise agree: (i) thirty percent (30%) of the balance due will be paid in cash as a down payment on the date of the close of escrow; and (ii) the amount remaining due will be evidenced by a promissory note providing for payment of this sum, together with interest at a rate equal to the prime lending rate then published in the Western Edition of the Wall Street Journal determined as of the date of the close of escrow, in sixty (60) equal monthly installments of principal and interest commencing on the first day of the second calendar month following the date of the close of escrow and continuing on the same day of each consecutive month until paid in full.

4. The close of escrow shall occur within forty-five (45) days after the final determination of the purchase price for the tangible assets. Bulk transfer costs shall be paid by Franchisee. Escrow costs shall be shared equally by Franchisor and Franchisee. Franchisee shall deliver possession of the Proprietary Products and physical assets to Franchisor upon Franchisor's payment of the purchase price.

5. If Franchisor does not elect to exercise its option to purchase the tangible assets, Franchisee or its Affiliate may assign any Lease for the Franchised Location or sell the real property to a third party, provided that the assignment or purchase agreement specifically include a covenant approved

by Franchisor and which is expressly enforceable by Franchisor as a third-party beneficiary, that the purchaser shall not, for a period of twelve (12) months after the termination or expiration of this Agreement, use the Franchised Location for the operation of a Competitive Business.

6. With respect to the Proprietary Products and physical assets that Franchisor purchases, Franchisor shall have the absolute right to set off from the purchase price all sums owed by Franchisee to Franchisor under this Agreement, including damages, costs and expenses and reasonable attorneys' fees in enforcing the Default and termination, and under Applicable Law, as well as all amounts then due and owing to the Marketing Fund. The right to set off shall not limit Franchisor's remedies under this Agreement or Applicable Law.

C. **Survival of Obligations**. All obligations of the Parties that expressly, or by their nature, survive the Termination Date or Expiration Date shall continue in full force and effect subsequent to the Termination Date or Expiration Date until they are satisfied in full. Franchisee shall remain fully liable for any and all obligations of the Franchised Business, whether incurred before, or after, the Termination Date or Expiration Date, including, without limitation, obligations arising under this Agreement, the Lease, and all obligations owed to Franchisor's Affiliates and other third parties including, without limitation, obligations for Proprietary Products, other inventory, equipment, supplies, materials, salaries to employees, and taxes.

D. **Third Party Rights; Available Remedies**. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Franchisor's prior consent. Franchisor's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's Default, and Franchisor shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's Default and obtain damages arising from the Default, injunctive relief to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Law.

XIX. ASSIGNMENT AND TRANSFER

A. **Assignment by Franchisor**. Franchisee acknowledges that Franchisor maintains a staff to manage and operate the System and that staff members can change from time to time. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Franchisor in that capacity. Franchisor shall have the right, without the need for Franchisee's consent, to assign, Transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal Entity, provided that the Proposed Buyer agrees in writing to assume all obligations undertaken by Franchisor herein and Franchisee receives a statement from both Franchisor and its Proposed Buyer to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public, may engage in a private placement of some or all of its securities, may merge, acquire other corporations, or be acquired by another corporation, and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of Labrador Franchises, Inc. as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any

claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Pet Depot® Stores operating under the Proprietary Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Franchisee acknowledges may be proximate to the Franchised Business).

B. **Transfer by Franchisee**. The franchise rights granted to Franchisee are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a corporation, limited liability company or other business entity, that of its officers, directors, shareholders, managers, members, trustees or Parties. Accordingly, without Franchisor's prior written consent, Franchisee shall not have the right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement; (ii) the right to use the System or the Proprietary Marks granted pursuant to this Agreement; or (iii) all or a significant portion of the other assets of the Franchised Business or Franchisee's leasehold rights. Franchisor shall not withhold its consent unreasonably if, in Franchisor's judgment, Franchisee satisfies the conditions to Transfer identified in this Agreement. Without Franchisor's prior written consent, Franchisee shall not offer for sale or Transfer at public or private auction any of the individual assets of the Franchised Business.

1. For purposes of this Agreement, each of the following events is a **"Transfer"** which requires Franchisor's prior written consent and is subject to the conditions to transfer identified in this Agreement: (i) a change in ownership of Franchisee due to a consolidation or merger involving Franchisee or any Franchisee Affiliate; (ii) if Franchisee is an individual, an order dissolving Franchisee's marriage; (iii) the death or "**Incapacity**" (as defined below) of Franchisee if Franchisee is an individual, or the death or Incapacity of any person satisfying the definition of Franchisee's Primary Owner; (iv) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation by any Primary Owner of its entire ownership interest, or of a Controlling Interest in the Equity or voting interests of Franchisee or any Franchisee Affiliate; (v) the issuance of additional shares representing a Controlling Interest in the Equity or voting interests of Franchisee or any Franchisee Affiliate. (For example, and without limitation, a financial restructuring or recapitalization secured by either a Controlling Interest in the Equity or voting interests of Franchisee or all or substantially all of the physical assets of the Franchised Business, shall constitute a Transfer subject to the provisions of this Agreement); (vi) a transfer of any interest in this Agreement; or (vii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum.

2. Any attempted or purported Transfer which fails to comply with the requirements of this Agreement shall be null and void and shall constitute a Default under this Agreement.

3. Franchisee may not Transfer this Agreement without simultaneously transferring to the same Proposed Buyer all other Franchise Agreements then existing between Franchisee and Franchisor and all assets of each Franchised Business subject to existing Franchise Agreements between the Parties.

4. Neither Franchisor's exercise of its right of first refusal nor its consent to a Transfer to an approved Proposed Buyer shall operate to release Franchisee or the Seller from this Agreement or any Guarantee.

C. **Franchisor's Right of First Refusal**. Except with respect to "**Qualified Transfers**", if Franchisee, or the person to whom an offer is directed (the "**Seller**"), receives a bona fide written offer ("**Third Party Offer**") to purchase or otherwise acquire an interest which will result in a Transfer within the meaning of this Agreement, Franchisee or the Seller, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Transfer. To constitute a bona fide written offer, the offer must apply to all of the Franchise Agreements then existing between Franchisee and Franchisor and all assets of each Franchised Business subject to existing Franchise Agreements between the Parties. Franchisee, or the Seller, shall attach to its application for consent to complete the Transfer a copy of the Third Party Offer together with (i) information relating to the Proposed Buyer's experience and qualifications; (ii) a copy of the Proposed Buyer's current financial statement; and (iii) any other information material to the Third Party Offer, Proposed Buyer and proposed assignment or that Franchisor requests. Franchisor or its nominee shall have the right, exercisable by written notice ("**Notice of Exercise**") given to Franchisee or the Seller, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Seller that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer; and (ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing from Franchisee to Franchisor and the Marketing Fund under this Agreement or otherwise. The closing shall take place at Franchisor's headquarters at a mutually agreed upon date and time, but not later than sixty (60) days following Franchisor's receipt of the Third Party Offer, all supporting information, and the application for consent to the Transfer. At the closing, Franchisee or the Seller shall deliver to Franchisor the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Franchisee or the Seller to the Proposed Buyer pursuant to the Third Party Offer. Additionally, Franchisee and the Seller shall deliver a General Release. All costs, fees, document taxes and other expenses incurred in connection with the Transfer shall be allocated between Franchisee and Franchisor in accordance with the terms of the Third Party Offer, and any costs not allocated shall be paid by Franchisee or the Seller. If Franchisor gives timely Notice of Exercise but, through no fault of Franchisee or the Seller, fails to close the purchase for any reason, Franchisee or the Seller shall have no recourse against Franchisor. Franchisee or the Seller may not complete the sale to the Proposed Buyer without first obtaining Franchisor's prior written consent and satisfying the other conditions to Transfer stated in this Agreement.

D. **Qualified Transfers**. Neither Franchisor's right of first refusal nor the other conditions of Transfer shall apply to the following Transfers ("**Qualified Transfers**"): (i) the Transfer or assignment of Equity or voting interests constituting less than a Controlling Interest of the Equity or voting interests of a Franchisee; and (ii) if Franchisee is an individual, the Transfer by Franchisee all of his or her rights under this Agreement to a newly-formed corporation, limited liability company or other business entity provided all of the Equity or voting interests of the new business entity are owned by the individual. Franchisee shall give Franchisor written notice of the occurrence of an event constituting a Qualified Transfer and shall pay a transfer fee of $1,000 to compensate Franchisor for its expenses in recording the ownership change.

E. **Conditions of Assignment to Third Party**. If Franchisor does not exercise its right of first refusal or complete the purchase of the interest which is the subject of a Third Party Offer, or if of a Qualified Transfer or other event of Transfer which requires Franchisor's prior written consent, Franchisor shall determine whether or not to issue its consent to the proposed Transfer and shall notify Franchisee of its decision by no later than the following dates: (i) if Franchisor gives timely Notice of Exercise but does not consummate the Transfer through no fault of Franchisee or the Seller, notice shall be given within ten (10) days after the scheduled closing date for Franchisor's purchase of the interest, or thirty (30) days after Notice of Exercise is given, whichever occurs latter; or (ii) in all other cases, notice shall be given thirty (30) days following Franchisor's receipt of the Third Party Offer (if any), all supporting information and the application for consent to Transfer. As a condition to issuing consent to a Transfer, Franchisor shall require that all of the following conditions be satisfied:

1. The Proposed Buyer must submit a completed franchise application to Franchisor, pay Franchisor's Then-Current application fee and meet Franchisor's Then-Current qualifications for new Pet Depot® franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation. The franchise fee, if paid, shall be non-refundable.

2. As of the date consent is requested and through the date of closing of the proposed Transfer and assignment, Franchisee must not be in Default under this Agreement or any other agreements with Franchisor, and must be current with all monetary obligations owed to third parties, including (without limitation) Franchisor's Affiliates.

3. The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to properly maintain, operate and promote the Franchised Business and meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors. This provision shall not create any liability to either Seller or the Proposed Buyer on the part of Franchisor, if Franchisor approves the Transfer and the Proposed Buyer experiences financial difficulties.

4. The Proposed Buyer must sign Franchisor's Then-Current form of Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, and, upon execution, pays the Then-Current Initial Franchise Fee and any other initial fees identified therein which are payable upon execution, plus Franchisor's out-of-pocket costs associated with the Transfer, including costs of attorneys' fees associated with the Transfer (the "**Transfer Fee**"). In exchange for signing the Then-Current Franchise Agreement, the Proposed Buyer shall receive franchise rights equal in length to the term and any renewal terms granted by the Then-Current form of Franchise Agreement. If the Proposed Buyer is an existing franchisee, the Proposed Buyer shall not receive the initial training program.

5. Franchisee will remain subject to all obligations stated herein that expressly, or by their nature, survive the Termination Date or Expiration Date, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

6. Franchisee shall execute a General Release.

7. All required third party consents to the Transfer must be obtained including, without limitation, the consent of the landlord of the Franchised Location.

8. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Transfer of this Agreement. If the Proposed Buyer is a corporation, limited liability company or other business entity, each person who at the time of the Transfer, or later, owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of the Proposed Buyer must execute the form of Guarantee attached to this Agreement as **Attachment C** and incorporated herein by reference.

9. The Proposed Buyer and each partner, shareholder or member of the Proposed Buyer, as the case may be, must be a United States citizen or lawful resident alien of the United States and must have sufficient literacy and fluency in the English language sufficient, in Franchisor's opinion, to communicate with employees, customers, and suppliers of Franchisor and to satisfactorily complete Franchisor's required training program and such other tests and interviews as Franchisor shall reasonably deem to be necessary or desirable. Franchisee shall provide Franchisor with such information as Franchisor may require to make a determination concerning such proposed Transfer.

10. Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Transfer, or otherwise, shall be subordinate to the Proposed Buyer's and Franchisee's duties owed to Franchisor and Franchisor's Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and Franchisor's Affiliates are fully satisfied.

11. Except when the Proposed Buyer is an existing franchisee of Franchisor, the Proposed Buyer, its Primary Owner, or a supervisorial or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Franchised Business, must complete to Franchisor's sole satisfaction Franchisor's next available Phase I Training immediately after possession of the Franchised Business is transferred to the Proposed Buyer.

12. Franchisee must simultaneously transfer its rights under any other contracts whose continuation is necessary for operation of the Franchised Business, to the same Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Franchisee's rights to the Proposed Buyer.

13. Within a reasonable period of time following the closing date, the Proposed Buyer shall conform the Franchised Business to Franchisor's Then-Current appearance and design standards and equipment specifications then applicable to new Pet Depot® Stores.

14. Franchisee, as transferor, shall execute a continuing guarantee in favor of Franchisor of the performance and payment by transferee, of all obligations and debts to Franchisor and its affiliates under the new Franchise Agreement. Transferee shall additionally execute all other documents and agreements required by Franchisor to consummate the Transfer.

F. **Closing of Sale to Third Party**. If Franchisor consents to a Transfer to a Proposed Buyer, Franchisee, or the Seller, may only complete the Transfer to the Proposed Buyer on the terms identified in the Third Party Offer or as otherwise stated in Franchisee's application for consent. If there is any material change in the terms of the Third Party Offer, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section XIX. If Franchisor consents to the Transfer to a Proposed Buyer, the Transfer must close within sixty (60) days from the date the Third Party Offer is first submitted to

Franchisor unless Franchisor grants an extension of time in writing, otherwise, it must again be offered to Franchisor.

G. **Business Entity Franchisee**. Franchisee represents and warrants that the information set forth in **Attachment E** which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Franchisee shall notify Franchisor in writing within 10 days of any change in the information set forth in **Attachment E**, and shall submit to Franchisor a revised **Attachment E**, certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as **Attachment E**. Franchisee shall promptly provide such additional information as Franchisor may from time to time request concerning all Owners who may have any direct or indirect financial interest in Franchisee. If Franchisee is a corporation, limited liability company, partnership, or other business entity, it shall furnish to Franchisor, upon execution of this Agreement or at such other time as a Transfer to the business entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, and a list of all Owners of the Equity or voting interests of the business entity. Additionally, Franchisee shall promptly provide Franchisor with a copy of any amendments to, or changes in, the information during the Term. During the Term, each Owner who now or later owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of Franchisee must execute Franchisor's form of Guarantee attached as **Attachment C**. Franchisee shall maintain stop transfer instructions against the Transfer on its records of any Equity or ownership interests. Each certificate representing an ownership interest in Franchisee shall bear a legend, in the form stated in the Manual, that it is held, and further assignment or Transfer thereof is, subject to all restrictions imposed upon Transfer set forth in this Agreement. Franchisee shall deliver a certificate to Franchisor annually, when Franchisee's annual financial statements are delivered, which lists all Owners of record and all beneficial Owners of any interest in the Equity or voting interests of Franchisee and identifies all transfers of Equity or voting interests in Franchisee which have occurred during the period covered by the annual financial statement.

H. **Death or Incapacity**. In the event of the death or Incapacity of Franchisee or any person satisfying the definition of Franchisee's Primary Owner, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or Parties (collectively, the "**Successor**") shall have one hundred eighty (180) days from the date of death or Incapacity in which to (i) purchase the interest of the deceased or incapacitated person in the franchise or Franchisee; or (ii) complete the sale or assignment of the interest to a qualified, approved Proposed Buyer, provided, in either case, the purchase or assignment complies with the conditions for Transfer stated in this Section XIX. If the Successor purchases the interest of the deceased or incapacitated person, the Successor who will be responsible for the management of the Franchised Business shall attend and successfully complete Franchisor's initial training program. During the period that the Successor operates Franchisee's Franchised Business, the Successor shall perform all of the obligations of Franchisee under this Agreement. At the end of the one hundred eighty (180) period, if the Successor has not purchased the franchise or obtained Franchisor's consent to a Transfer to a Proposed Buyer, Franchisor may, at its election, terminate this Agreement. "**Incapacity**" means an inability due to medical reasons to devote full time and attention to supervising all administrative and operational activities of the Franchised Business and compliance with this Agreement continuing for at least four (4) months in the aggregate during any consecutive twelve (12) month period during the Term, based upon the examination and findings of a physician selected by Franchisor. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties under this Agreement on a full time basis for thirty (30) consecutive days.

I. **Restriction on Publicly Traded and Private Securities.** Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor, and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

XX. RELATIONSHIP OF PARTIES; INDEMNIFICATION

A. **Independent Contractor**. This Agreement does not create a fiduciary relationship between the Parties, nor does it make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose. With respect to all matters, Franchisee's relationship to Franchisor is as an independent contractor. Franchisee is the independent owner of the Franchised Business and in sole control of all aspects of its operation, and shall conduct its business using its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself in all advertising and all dealings with customers, suppliers and other third parties as the owner of the Franchised Business operating under a license from Franchisor.

B. **Indemnification by Franchisee**. Franchisee and its Owners and Affiliates (collectively, the "**Indemnitors**") shall indemnify and hold Franchisor, Franchisor's Affiliates and their respective officers, directors, shareholders, employees, agents, successors and assigns (collectively, the "**Indemnitees**"), harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands whatsoever, and regardless of whether the same is between Indemnitors and Indemnities (collectively, an "**Indemnifiable Claim**"), arising from or relating to the business conducted by Franchisee at or from the Franchised Business, whether or not arising from bodily injury, personal injury or property damage, or any other violation of the rights of others, or in any other way. Indemnitors' obligation to indemnify Indemnitees shall extend, without limitation, to all Indemnifiable Claims for actual and consequential damages, and Indemnitees' costs and expenses incurred in defending any third party claim

covered by Indemnitors' indemnification, including, without limitation, attorneys and other professional fees, court costs, and travel and living expenses. Indemnitees shall have the right to retain their own counsel to defend any third party claim asserted against it which is covered by this indemnification agreement. Indemnitors' indemnification obligation shall survive the expiration, termination or assignment of this Agreement for any reason.

XXI. GUARANTEE

If Franchisee is a corporation, limited liability company or other business entity, each person who owns or at any time during the Term acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of Franchisee shall furnish any financial information reasonably required by Franchisor and execute Franchisor's form of Guarantee attached to this Agreement as **Attachment C**. An event of Default under this Agreement shall occur if any guarantor fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request: (i) evidence of the due execution of the Guarantee; and (ii) current financial statements of guarantor as may from time to time be requested by Franchisor.

XXII. JUDICIAL RELIEF.

A. **Courts of California**. The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the state and county closest to Franchisor's headquarters. As of the date of this Agreement, the Parties acknowledge that the Superior Court of the County of Los Angeles, and the United States District Court of the Central District of California are, respectively, the state and federal courts that are located closest to Franchisor's headquarters; however, the Parties further acknowledge that Franchisor may relocate its headquarters in its discretion at any time without notice to Franchisee. The Parties agree to submit to the jurisdiction of the courts selected pursuant to this Section XXII(A).

B. **Inconvenient Forum**. To the fullest extent that it may effectively do so under Applicable Law, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section XXII(B) and shall not commence any action of any kind against Franchisor, Franchisor's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this Section XXII(B).

C. **Trial by Jury**. FRANCHISOR AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION PROCEEDING AND/OR HEARING BROUGHT BE EITHER FRANCHISOR OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PROPRIETARY MARKS OR SYSTEM BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER LAW.

D. **Choice of Law**. This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Pet Depot Store is located outside of California and such provision would be

enforceable under the laws of the state in which the Pet Depot Store is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section XXII(D) is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

E. **Limitations Period**. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced no later than the last to occur of the following: (i) ninety (90) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability; or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation proceeding which is initiated before the last day of the limitations period, and such toll shall commence on the date the Responding Party receives the Initiating Party's demand for mediation and continue until mediation is concluded.

F. **Punitive or Exemplary Damages**. Franchisor and Franchisee, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

G. **Attorneys' Fees**. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the Parties hereunder, the Prevailing Party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "**Prevailing Party**" is the Party who recovers greater relief in the action. Franchisor shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

XXIII. ACKNOWLEDGEMENTS

Franchisee represents to Franchisor, to induce Franchisor to enter into this Agreement, that:

A. **Acceptance of Conditions**. Franchisee has read this Agreement and Franchisor's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Pet Depot® Stores in order to protect and preserve the System and the goodwill of the Proprietary Marks.

B. **Independent Investigation**. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Franchisee's business ability and efforts.

C. **Reliance**. Franchisee has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

D. **No Representations; Status of Franchisee**. No representations have been made by Franchisor, Franchisor's Affiliates or their respective officers, directors, shareholders, employees or agents, that are contrary to statements made in the Disclosure Document previously received by Franchisee or to the terms contained in this Agreement. Franchisee (if an individual) or each person executing a Guarantee of Franchisee's obligations, is a United States citizen or a lawful resident alien of the United States, if Franchisee is a corporation, limited liability company, partnership or other business entity, it shall remain duly organized and in good standing for as long as this Agreement is in effect and it owns the franchise rights, and all financial and other information provided to Franchisor in connection with Franchisee's application is true and correct and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

E. **Anti-Terrorism Laws**. Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with such compliance Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its affiliates, in accordance with the provisions of Section XVII of this Agreement.

F. **Area Development Agreement**. This Section XXIII (F) is only applicable if Franchisee or its Affiliates have entered into an Area Development Agreement (a "**Development Agreement**") with Franchisor. Franchisor and Franchisee acknowledge and agree that the Development Agreement contains certain negotiated provisions which are intended to apply to, and modify, future franchise agreements entered into by the Parties. Therefore, notwithstanding anything to the contrary set forth in this Agreement, to the extent any provision in the Development Agreement contradicts any provision in this Agreement, or is in addition to any provision of this Agreement, the Development Agreement shall control to the extent of such inconsistency or addition. Franchisor and Franchisee further acknowledge and agree that this Section XXIII(F) has been added at the request and for the convenience and benefit of both Parties and with advice of counsel. Accordingly, both Franchisor and Franchisee shall work in good faith to resolve any disputes regarding the application or intent of the Development Agreement and future franchise agreements entered into by the Parties. Should a dispute arise as to the application or intent of the Development Agreement as it pertains to this Agreement, the Parties shall resolve the dispute in accordance with Article XXII of this Agreement.

XXIV. MISCELLANEOUS

A. **Notices**. All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery with a guaranteed tracking facility, by certified mail, by facsimile transmission or by electronic transmission (email). Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid; (iv) on the day of facsimile transmission to the facsimile number given below if telephonic confirmation of receipt is obtained by

the sender promptly after completion of facsimile transmission; and (v) on the day of electronic transmission to the email address given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of electronic transmission. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:	Labrador Franchises, Inc. 1941 Foothill Boulevard, Suite A La Verne, California 91750 Fax: 626-335-4867 Attention: President
With a copy to:	Barry Kurtz, Esq. Lewitt, Hackman, Shapiro, Marshall and Harlan, A Law Corporation 16633 Ventura Boulevard, 11th Floor Encino, California 91436 Fax: (818) 981-4764
Notices to Franchisee:	_____ _____ _____ _____ Fax: _____

Either Party may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other Party. Notwithstanding the Parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Franchisor during regular business hours on the date it is due shall be deemed delinquent.

B. **Time of the Essence**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. **Withholding of Consent**. Except where this Agreement expressly obligates Franchisor to reasonably approve or not unreasonably withhold its approval of any action or request by Franchisee, Franchisor has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee. Further, whenever the consent or approval of Franchisor is required under this Agreement such consent or approval must be in writing unless this Agreement specifies otherwise.

D. **Waiver**. Any waiver granted by Franchisor to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Franchisor to Franchisee or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Franchisor, and no action taken by Franchisor, with respect to any third party shall limit Franchisor's discretion to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Franchisor to Franchisee shall be without prejudice to any other rights Franchisor may have. The rights and remedies granted to Franchisor are cumulative. No delay on the part of Franchisor in the exercise of any right or remedy shall

operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy shall preclude Franchisor from fully exercising such right or remedy or any other right or remedy. Franchisor's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be, nor be construed as, a waiver by Franchisor of any breach by Franchisee of any term, covenant or condition of this Agreement.

E. **Article and Section Headings; Language**. The Article and Section headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Franchisor or Franchisee. The term "**Franchisee**" as used herein is applicable to one or more persons, corporations, partnerships or entities, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor shall be joint and several. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or business entity not a Party hereto. Whenever this Agreement refers to "**business days**," it shall mean weekdays only, excluding Saturdays, Sundays and holidays.

F. **Binding on Successors**. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs and personal representatives of the Parties hereto.

G. **Validity / Conformity With Applicable Law**. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Law, but if any provision of this Agreement shall be invalid or prohibited under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement. To the extent that the provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Law, such provisions shall be deemed to be automatically amended to conform them to the provisions of such Applicable Law To the extent any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be enforceable by reducing any or all thereof, the Parties agree that the provision shall be enforced to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought.

H. **Amendments**. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any Party unless it is set forth in writing and executed: (i) on behalf of Franchisee, by Franchisee if Franchisee is an individual, and, if not, by an authorized agent or officer of Franchisee; and (ii) on behalf of Franchisor, by any duly authorized officer of Franchisor.

I. **Entire Agreement**. This Agreement, including all Attachments attached hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof, sets forth the entire agreement between the Parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. Notwithstanding the foregoing, nothing in this Franchise Agreement or any related agreement is intended to disclaim the

representations Franchisor made to Franchisee in the Franchise Disclosure Document heretofore furnished to Franchisee.

J. **Covenant and Condition**. Each provision of this Agreement performable by Franchisee shall be construed to be both a covenant and a condition.

K. **Submission of Agreement**. The submission of this Agreement to Franchisee does not constitute an offer to Franchisee, and this Agreement shall become effective only upon execution by Franchisor and Franchisee.

L. **Exclusive Remedy.** In no event shall Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

M. **Force Majeure**. Neither Party will be in Default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. In the event of the occurrence of an event constituting Force Majeure, the Party claiming the extension by Force Majeure shall notify the other Party in writing within ten (10) days after commencement of the Force Majeure of the specific nature and extent of the Force Majeure, and how it has impacted that Party's performance hereunder. The Party claiming the extension by Force Majeure shall continue to provide the other Party with updates and all information as may be requested by the other Party, including that Party's progress and diligence in responding to and overcoming the Force Majeure. An event of Force Majeure will not affect or change Franchisee's obligation to pay Royalty, Advertising Fees or any other fees owed to Franchisor when due.

N. **Counterparts and Electronic Transmission**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement

O. **Electronic Execution and Copies**. This Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and Electronic Signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits. An executed copy of this Agreement (or any portion of this Agreement) may be delivered by either of the Parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (collectively, "**electronic**"), and delivery will be effective and binding upon the Parties, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement. Master Franchisee acknowledges and agrees that Franchisor may create an electronic record of any or all agreements, correspondence or other communications between the Parties or involving third parties and may thereafter dispose of or destroy the original of any of the agreements, correspondence or other communications. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. Notwithstanding

any Applicable Law to the contrary, any electronic version of this Agreement or any other agreements, correspondence or other communications between the Parties will have the same legal effect, validity and enforceability as an original of any document, even if the original of the document has been disposed of or intentionally destroyed.

P. **Business Judgment**. Notwithstanding any provision in this Agreement to the contrary, Franchisee and the Owners acknowledge and agree that:

1. This Agreement (and the relationship of the Parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the explicit rights and obligations of Franchisee and the Owners hereunder that may affect Franchisee and the Owners' interests favorably or adversely. Franchisor shall use its Business Judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the Pet Depot® System and other Pet Depot® franchisees, Pet Depot® stores generally, and specifically without considering the individual interests of Franchisee or the Owners or the individual interests of any other Pet Depot® franchisee. Franchisee and the Owners acknowledge and agree that Franchisor shall have no liability to Franchisee or the Owners for the exercise of its discretion in this manner; and even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion. If Franchisor takes any action or Franchisor chooses not to take any action in its discretion with regard to any matter related to this Agreement and its actions or inaction are challenged for any reason, the Parties expressly direct the trier of fact to find that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

2. In granting its approval of the Franchised Location, designating suppliers, setting standards and the like, Franchisor shall exercise its Business Judgment. However, in the exercise of its Business Judgment, Franchisor shall not be liable to Franchisee or the Owners or anyone else, if Franchisor's exercise of its Business Judgment results in a business loss or if the products or services provided fail to meet the expectations of Franchisor, Franchisee, the Owners or other parties. Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which Franchisee uses, purchases, retains or hires pursuant to Franchisor's exercise of its Business Judgment.

Q. **Atypical Arrangements**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Pet Depot® franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Franchise Agreements previously issued or issued after this Franchise Agreement by Franchisor do or will contain terms substantially similar to those contained in this Franchise Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Franchise Agreement with other Pet Depot® franchisees in a non-uniform manner.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By:_____
Name:_____
Title: _____

FRANCHISEE:

_____,

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By:_____
Name:_____
Title: _____

By:_____
Name:_____
Title: _____

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

ATTACHMENT A
THE FRANCHISED LOCATION

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

ATTACHMENT A
THE FRANCHISED LOCATION

The following site has been selected by Franchisee and approved by Franchisor as the "**Franchised Location**" for the "**Franchised Business**" in accordance with the Franchise Agreement entered into between Franchisor and Franchisee dated _____.

_____
_____

The Expiration Date is _____.

Initial Franchisee Fee: □ $40,000 for a [Pet Depot® Retail Store] [Pet Depot® Animal Hospital] [***cross out those that do not apply***]
□ $30,000 for a [Converted Pet Depot® Retail Store]
□ $50,000 for a Pet Depot® Combined Retail Store/Animal Hospital
□ $30,000 for a Pet Depot® Barkery Store

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By:_____
Name:_____
Title: _____

FRANCHISEE:

_____,
[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By:_____
Name:_____
Title: _____

By:_____
Name:_____
Title: _____

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

ATTACHMENT B
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

LABRADOR FRANCHISES, INC.
EXHIBIT B TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

The undersigned depositor ("**Depositor**") hereby (1) authorizes Labrador Franchises, Inc. or its Affiliates ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Company's instructions.

_____	_____
DEPOSITORY	BRANCH
_____	_____
CITY AND STATE	ZIP CODE
_____	_____
BANK TRANSIT/ABA NUMBER	ACCOUNT NUMBER

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Company and Depositor with thirty (30) days prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or forty-five (45) days after posting, whichever comes first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

_____	_____
DEPOSITOR	DEPOSITORY
By: _____	By: _____
Its: _____	Its: _____

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

ATTACHMENT C
GUARANTEE

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT
ATTACHMENT C
GUARANTEE

As an inducement to Labrador Franchises, Inc. ("**Franchisor**") to execute the Franchise Agreement with _____ ("**Franchisee**") dated _____, 20__, and in consideration of Franchisor's executing the Franchise Agreement, _____ ("**Guarantors**") hereby grant this guarantee ("**Guarantee**") and agree as follows:

A. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the days and times in the manner therein appointed for payment thereof.

B. Guarantors shall unconditionally fully guarantee full performance and discharge by Franchisee of all the obligations of Franchisee under the Franchise Agreement at the times and in the manner therein provided.

C. Guarantors shall indemnify and hold Franchisor harmless and its affiliates against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur, or become liable for by reason of: (1) the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Franchise Agreement, or (2) any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing pursuant to the provisions of the Franchise Agreement.

D. Franchisor shall 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 Guarantors under this Guarantee, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Franchisee under the Franchise Agreement.

E. Without affecting Guarantors' obligations under this Guarantee, Franchisor, without notice to Guarantor, may extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

F. Guarantors' obligations under this Guarantee shall remain in full force and effect, and shall be unaffected by: (1) the unenforceability of the Franchise Agreement against Franchisee; (2) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise; (3) the bankruptcy, insolvency, dissolution, or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee; (4) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Franchisee, or by the winding-up or dissolution of Franchisee, or any other event or occurrence which would have the effect at law of terminating the existence of Franchisee's obligations prior to the termination of the Franchise Agreement; or (5) by any other agreements or other dealings between Franchisor and Franchisee having the effect of amending or altering the Franchise Agreement or

Franchisee's obligations under this Guarantee, or by any want of notice by Franchisor to Franchisee of any Default of Franchisee or by any other matter, thing, act, or omission of Franchisor whatsoever.

G. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

H. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

I. Notice to Guarantors shall be given as follows:

_____
_____
_____

IN WITNESS WHEREOF, the undersigned have signed this Guarantee as of the day and year set forth below.

GUARANTOR:

_____ Date: _____

_____ Date: _____

GUARANTOR:

_____ Date: _____

_____ Date: _____

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

ATTACHMENT D
STATE SPECIFIC AMENDMENTS

[AS REQUIRED]

LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

ATTACHMENT E
ENTITY INFORMATION DISCLOSURE

ATTACHMENT E
ENTITY INFORMATION

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):
[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): _____

State of incorporation/organization: _____

Name of Franchisee entity: _____

(2) Franchisee shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ("**Entity Documents**").

(3) Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

(4) The name and address of each of Franchisee's Owners, members, or general and limited partner:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business:

NAME	ADDRESS

(6) The address where Franchisee's Financial Records, and Entity Documents are maintained is: _____.

(7) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Franchise Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Franchisee. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in this Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By:_____
Name:_____
Title: _____

FRANCHISEE:

_____,

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By:_____
Name:_____
Title: _____

By:_____
Name:_____
Title: _____

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C
CONVERSION ADDENDUM TO FRANCHISE AGREEMENT

LABRADOR FRANCHISES, INC.

CONVERSION FRANCHISE ADDENDUM TO FRANCHISE AGREEMENT

LABRADOR FRANCHISES, INC.
CONVERSION FRANCHISE ADDENDUM
TO FRANCHISE AGREEMENT

THIS ADDENDUM is made this ___ day of _____, 20__, by and between **LABRADOR FRANCHISES, INC.,** a California corporation ("**Franchisor**"), and _____, a _____ ("**Franchisee**"), with reference to the following facts:

A. On _____, 20__, Franchisor and Franchisee entered into a Franchise Agreement (the "**Franchise Agreement**"), pursuant to which Franchisee agreed to convert Franchisee's existing independent pet store (the "**Store**") into a Pet Depot® Franchised Business. Capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Franchise Agreement.

B. Franchisor desires to provide Franchisee with an amended fee structure for the Royalty Fee and Advertising Fee that Franchisee will pay Franchisor in connection with the operation of the Pet Depot® Franchised Business following the conversion of the Store into a Pet Depot® Franchised Business and with the conversion requirements for the Store.

C. Franchisor and Franchisee desire to enter into this Addendum to modify certain terms of this Franchise Agreement to provide for the amended fee structure and for the conversion requirements on the terms and conditions set forth herein.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS**.

The recitals set forth in Paragraphs A through C above are true and correct and are hereby incorporated by reference into the body of this Addendum.

2. **ROYALTY FEE**.

Paragraphs IV (B), IV(C) and IV (D) of the Franchise Agreement are hereby amended to read as follows:

"B. **Royalty Fee**. Beginning on the Opening Date and for the remainder of the Term, Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, a Royalty Fee equal to five percent (5%) of all "**Gross Sales**" at the Pet Depot® Franchised Business in excess of "**Base Gross Sales**". Franchisee shall not be obligated to pay Franchisor any Royalty Fees on Franchisee's "**Base Gross Sales**".

1. The Royalty Fee shall be due and payable within ten (10) days after the then-applicable Accounting Period based upon the Pet Depot® Franchised Business' aggregate Gross Sales in excess of Base Gross Sales during the Accounting Period just ended.

2. Franchisee shall pay the Royalty Fee by check or by such other method, including automatic electronic bank debit, as Franchisor may from time to time direct, at Franchisor's option. Franchisee hereby authorizes Franchisor to initiate electronic debit entries and/or credit collection entries to

Franchisee's designated primary business operating checking or savings account for the payment of royalty fees, advertising fees, rent and rent-related expenses, and all other sums that may become due to Franchisor, or its Affiliates, from Franchisee. If Franchisor elects to utilize this method of payment of such obligations, Franchisee shall immediately execute such authorizations as Franchisor, its bank and Franchisee's bank shall require, including, without limitation, the **Authorization Agreement for Pre-arranged Payments (Direct Debits)** in the form attached hereto as **Attachment B**, and shall make funds available for withdrawal by Franchisor by electronic transfer on such dates of each month as Franchisor shall designate. Franchisee shall bear all costs to establish and maintain the required electronic payment system and shall comply with Franchisor's procedures for electronic payment, which Franchisor may modify in its discretion during the Term.

C. **Advertising Fee**. Beginning on the Opening Date and for the remainder of the Term, Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, the Advertising Fee described in this Agreement at the same time, for the same period and in the same manner as the Royalty Fee.

D. **Base Gross Sales and Gross Sales Defined**. For purposes of this Agreement, "**Base Gross Sales**" means the average "**Gross Sales**" at Franchisee's Store during the twelve (12) consecutive month period prior to the date of this Agreement or, if the Store has not been open for business and operating for at least twelve (12) consecutive months, for the actual number of months the Store has been open and operating. For purposes of this Agreement, "**Base Gross Sales**" shall be the sum of $_____. For purposes of this Agreement, "**Gross Sales**" means the aggregate of all sales and other income from the Pet Depot® Franchised Business, whether payment is in cash credit, gift certificate(s) or other generally accepted form of payment. Gross Sales includes, without limitation, all proceeds from any business interruption insurance, the sale of Proprietary Products and approved wholesale transactions, but excludes: (1) all sales taxes and other taxes separately stated that Franchisee collects from customers and pays to taxing authorities under Applicable Laws; (2) all refunds and credits made in good faith to arms' length customers; and (3) the discount value of all authorized coupons, vouchers or other allowances sold, or redeemed, by Franchisee."

3. **ADVERTISING FEE**.

Paragraph X(C) (1) of the Franchise Agreement is hereby amended to read as follows:

"1. Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, an advertising fee at a rate equal to two percent (2%) of Franchisee's Base Gross Sales **plus** two percent (2%) of Franchisee's Gross Sales at the Pet Depot® Franchised Business (the "**Advertising Fee**"). The Advertising Fee shall be due and payable weekly, together with the Royalty Fee, by check or by such other method, including automatic bank debit, as Franchisor may from time to time direct. Franchisor shall deposit the Advertising Fee into the Marketing Fund, which shall be maintained in a separate bank account segregated from the Franchisor's other funds."

4. **CONVERSION REQUIREMENTS**.

Immediately following the date of the parties' execution of this Franchise Agreement, Franchisee shall commence all maintenance, renovations and remodeling of the Store as set forth on **Schedule A** attached to this Addendum and incorporated into this Addendum by reference (the "**Conversion Requirements**") and shall complete the Conversion Requirements, to Franchisor's satisfaction,

within forty-five (45) days after the date of the parties' execution of this Franchise Agreement. The provisions of Sections V(A) and V(B) of the Franchise Agreement shall apply to the Conversion Requirements.

5. **WEBSITE**.

Franchisor shall have the right, in its sole and absolute discretion, to permit Franchisee to continue to operate any existing website heretofore operated by Franchisee in conjunction with the Store, provided that (i) Franchisee assigns to Franchisor, or its affiliates, all of Franchisee's right, title and interest in and to the domain name and URL for the website concurrently with the parties' execution of this Agreement; (ii) Franchisee permits Franchisor, or its affiliates to administer the web site and all sales conducted on the website, at Franchisee's expense; (iii) Franchisee operates the website in accordance with all requirements of Franchisor; and (iv) Franchisee pays Franchisor all Royalty Fees and Advertising Fees on sales on the website as required by Paragraphs 2 and 3 of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first shown above.

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By:_____
Name:_____
Title: _____

FRANCHISEE:

_____,

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

State of incorporation: _____
Entity Name: _____

By: _____
Name: _____
Title: _____

SCHEDULE A

CONVERSION FRANCHISE ADDENDUM
CONVERSION REQUIREMENTS

Franchisee shall perform the following maintenance, renovations and remodeling of the Store:

_____
_____
_____
_____
_____
_____
_____
_____
_____

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By: _____
Its: _____

FRANCHISEE:

_____

By: _____
Its: _____

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D
AREA DEVELOPMENT AGREEMENT AND ATTACHMENTS

LABRADOR FRANCHISES, INC.

AREA DEVELOPMENT AGREEMENT

LABRADOR FRANCHISES, INC.

AREA DEVELOPMENT AGREEMENT

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ATTACHMENTS

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LABRADOR FRANCHISES, INC.

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made and entered into as of _____, ____, (the "**Effective Date**") by and between **LABRADOR FRANCHISES, INC**., a California corporation ("**Franchisor**"), and _____ ("**Developer**"), with reference to the following facts:

A. Franchisor owns the Pet Depot® trade name and service mark, as well as in other trademarks, service marks, logos and commercial symbols which identify and are used in connection with the development, operation and marketing of Pet Depot® stores (the "**Proprietary Marks**").

B. Franchisor owns and has the perpetual license to use and sublicense certain business methods for the development and operation of retail pet stores featuring pet foods, pet supplies, pets for sale, veterinary services, grooming services and other related services for the general public ("**Pet Depot® Stores**"). These business methods include, without limitation, Franchisor's operating methods and business practices related to the operation of Pet Depot stores, the relationship between Franchisor and its franchisees, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, Pet Depot distinctive signs and store design specifications, interior and exterior imaging requirements, uniform operating, merchandising and marketing methods, mandatory products and supplies, including products which may be specially formulated or branded for Franchisor, and confidential information and trade secrets which encompass all aspects of developing, operating and marketing Pet Depot® Stores, all as Franchisor may modify from time to time (the "**System**").

C. Franchisor has decided, based on the information provided by Developer to Franchisor, to grant such development rights to Developer, pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

DEFINITIONS

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms in this Agreement are defined as follows:

"**Affiliate**" or "**Affiliates**" mean an entity or entities that control, are controlled by, or are under common control with, a Party to this Agreement.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Businesses that are in effect on or after the Effective Date, as they may be amended from time to time. Applicable Laws includes, without limitation, those relating to building permits and zoning requirements applicable to the use, occupancy and development of the Franchised Locations, business licensing requirements, hazardous waste, occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes, collection and reporting of sales taxes, and the American With Disabilities Act.

"**Business Judgment**" means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section 13.15.

"**Competitive Business**" means to, own, operate, lend to, advise, be employed by or have any financial interest in (i) any retail pet store; or (ii) any business that manufactures, sells or distributes, at retail or wholesale, pet food, pet supplies, veterinary services for animals, pet grooming or any other service that Franchisor deems to be part of the services it offers to the public, other than a Franchised Business operating under an existing Franchise Agreement with Franchisor.

"**Constituents**" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"**Controlling Interest**" means the possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of a business entity. Franchisor shall consider whether a transfer, either alone or together with all other previous, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, a sufficient number of the equity or voting interests of business entity to enable the purchaser or transferee to direct, or cause a change in the direction of, the management and policies of the business entity. For purposes of this Agreement, any person who qualifies as a Primary Owner shall be deemed to own a Controlling Interest.

"**Default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"**Development Area**" means the geographic area described on **Attachment B**.

"**Development Period**" means each of the time periods indicated on **Attachment A** during which Developer shall have the right and obligation to construct, equip, Open and thereafter continue to operate Franchised Businesses in accordance with the Minimum Development Obligation.

"**Electronic Signature"** means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including facsimile, email, or other electronic signatures.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Area Developer is an Entity, the Entity shall conduct no business other than the development of Franchised Businesses in the Development Area, in accordance with the Development Obligation.

"**Equity**" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"**Expiration Date**" means the date set forth in the Development Schedule set forth on **Exhibit A** as the date the final Franchised Business is to be Opened for business.

"**Force Majeure**" means any event (i) that was reasonably unforeseeable as of the Effective Date; (ii) that is beyond the reasonable control, directly or indirectly, of a Party; (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence; (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors; and (v) that causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, "**Force Majeure**" includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); (b) strikes, lockouts or other industrial disturbances; (c) war, terrorist acts, riot, or other civil disturbance; (d) unilateral governmental action impacting restaurants generally; and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a Party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Developer by any lender, Landlord, contractor, or other Person, or Developer's financial inability to perform or Developer's insolvency, 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.

"**Franchised Business**" means a [Pet Depot® Retail Store], a [Pet Depot® Animal Hospital], a [Pet Depot® Combined Retail Store/Animal Hospital], a [Pet Depot® Barkery Store], a [Converted Pet Depot® Retail Store] [***CROSS OUT THOSE THAT DO NOT APPLY***] developed, owned and operated by Developer under this Agreement and a Pet Depot Franchise Agreement.

"**Franchised Locations**" means the business premises approved by Franchisor for the operation of Franchised Businesses.

"**General Release**" means the form of general release prescribed by Franchisor, of any and all claims which Developer may have or believes to have against Franchisor and its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Minimum Development Obligation, the Development Area or the Development Schedule, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Minimum Development Obligation, the Development Area or the Development Schedule, but which relate to other franchise agreements, stores, franchised locations and other agreements between Franchisor and its Affiliates and Developer which arose on or before the date of the General Release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Developer is in substantial compliance with the material requirements of this Agreement, the Pet Depot Franchise Agreements, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Developer within the time periods set forth in Section 11.5.

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

"**Gross Sales**" means the total of all revenues derived from sales of any nature or kind whatsoever from the Franchised Businesses during the Term, as well as the proceeds from any business interruption insurance related to the non-operation of the Franchised Business, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from a Franchised Location although filled elsewhere and delivery and catering charges that are not included in the price of the Pet Depot Authorized Products. "**Gross Sales**" shall include all proceeds from the sale of coupons, gift certificates or vouchers. "**Gross Sales**" shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

"**Initial Franchise Fee**" means the initial fee that Area Developer must pay Franchisor for each Franchised Restaurant developed, Opened and operated by Developer in the Development Area in the amounts set forth on **Attachment A**.

"**Internet**" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio or other methods of transmission.

"**Landlord**" means the owner of a Franchised Location who enters into a Lease with Developer for a Franchised Location.

"**Lease**" means any agreement, however denominated, that allows Developer to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Developer and a Landlord.

"**Lease Assignment Agreement**" means the written agreement by and between Developer and the landlords of the Franchised Locations that adds specific terms and conditions required by Franchisor to a Lease and grants Franchisor the right, but not the obligation, to accept an assignment of a Lease under stated conditions.

"**Manual**" means Franchisor's Operations Manuals, which may consist of one or more manuals, and any other written directive related to the Pet Depot System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"**Minimum Development Obligation**" means the Developer's right and obligation to construct, equip, Open and thereafter continue to operate at sites within the Development Area the cumulative number of Franchised Locations set forth in **Attachment A** hereto within each Development Period.

"**Open**" and "**Opened**" means that Developer has actually begun to sell pet products to the public from a Franchised Location.

"**Opening Date**" means the day that (i) Developer receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Franchised Location; and (ii) Developer actually begins to offer Pet Depot Authorized Products for sale to the public from the Franchised Location, whichever occurs last.

"**Owner**" means each of the individuals listed on **Attachment F** and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Developer. If Developer is an Entity, each Owner who now or later owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of Developer shall jointly and severally guarantee Developer's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Attachment D**.

"**Person**" means any natural person or Entity.

"**Party**" or "**Parties**" means Franchisor and Developer and its Owners, and their respective Affiliates, individually and collectively.

"**Pet Depot Authorized Products**" means all Pet Depot Branded Products, Pet Depot Proprietary Products and Non-Proprietary Products offered for sale or used at Pet Depot® Stores, as specified by Franchisor from time to time.

"**Pet Depot Branded Products**" means any product now existing or developed in the future that bears any of the Pet Depot Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications.

"**Pet Depot Franchise Agreement**" means the form of agreement prescribed by Franchisor and used to grant to Developer the right to develop, Open, own and operate a single Franchised Location in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"**Pet Depot® Stores**" include Pet Depot® Retail Stores, Pet Depot® Animal Hospitals, Pet Depot® Combined Retail Store/Animal Hospitals, Pet Depot® Barkery Stores and Converted Pet Depot® Retail Stores.

"**Pet Depot System**" means the system developed by Franchisor and the Operating Company that includes operating methods and business practices related to Pet Depot Franchised Businesses, the relationship between Franchisor and its area developers and franchisees, including interior and exterior location design; other items of trade dress; specifications of equipment, fixtures, and uniforms; defined product offerings; recipes and preparation methods; Franchisor specified pricing and promotions; standard operating and administrative procedures; restrictions on ownership; management and technical training programs; and marketing and public relations programs; all as Franchisor may modify the same from time to time.

"**Primary Owner**" refers to any person who owns at least twenty-five percent (25%) of the outstanding Equity or voting interests of Developer that is a business entity and/or who is responsible for the day-to-day operation of Developer.

"**Restricted Person**" means Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals.

"**Termination Date"** means (i) the date Developer receives any notice of termination described in Section 6.2 of this Agreement; or (ii) the last day of the permitted cure period for any Default described in Section 6.2 if and as applicable, or in Section 6.3 of this Agreement.

"**Then Current**" means the form of agreement then-currently provided by Franchisor to similarly situated prospective Pet Depot developers and franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Pet Depot developer or franchisee, or, as the context of this Agreement indicates, the fees Then Currently charged by Franchisor or its Affiliates or Franchisor's specifications, standards or the like.

"**Venue**" means any site other than a Non-Traditional Venue.

NOW, THEREFORE, THE PARTIES AGREE:

1. GRANT AND TERM

1.1 **Grant and Minimum Development Obligation**. Franchisor hereby grants to Developer, and Developer hereby accepts the right and obligation to use the Pet Depot Marks and the Pet Depot System to develop, Open, own and operate the Minimum Development Obligation of Franchised Businesses set forth in **Attachment A** of the type specified on **Attachment A** only at Venues in the Development Area designated on **Attachment B** a during the individual Development Periods listed on **Attachment A** under the Development Schedule set forth on **Attachment A**, in accordance with the terms and conditions in this Agreement. Developer may not develop, Open, own or operate more Franchised Businesses in the Development Area than the Minimum Development Obligation during the Term. Developer shall not subcontract, sublicense, share, divide or partition this Agreement and nothing in this Agreement will be construed as granting Developer the right to do so. The Parties shall execute Franchisor's Then-Current Pet Depot Franchise Agreement for each Franchised Location to be developed, owned and operated by Developer under this Agreement, the form of which may differ from the form of Pet Depot Franchise Agreement attached to Franchisor's Franchise Disclosure Document (the "**Disclosure Document**") provided to Developer prior to the Effective Date. Any increase or decrease in the size of any of the cities included within the Development Area shall have no effect on the Development Area as it is described in **Attachment B**. Each Franchised Business shall be established and operated by Developer or by an entity controlling, controlled by, or under common control with, Developer.

1.2 **Non-Exclusive Development Area**. Developer's rights under this Agreement are not exclusive, and Developer shall not have the right to sublicense, sublease, subcontract or enter into any management agreement providing for the right to operate a Pet Depot® Store or to use the System. Franchisor and its Affiliates retain the right, among others, in any manner and on any terms and conditions that Franchisor deems advisable, and without granting Developer any rights therein:

1.2.1 To own, acquire, establish, and/or operate, and license others to establish and operate, Pet Depot® Stores [within or] outside the Development Area.

1.2.2 To own, acquire, establish and/or operate, and license others to establish and operate, other businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from Pet Depot® Store, at any location within or outside the Development Area.

1.2.3 To sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, any products or services which bear any proprietary marks, including the Proprietary Marks, whether within or outside the Development Area.

1.2.4 To produce, license, distribute and market Pet Depot® Store branded products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to the Franchised Businesses), at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods.

1.2.5 To operate other retail and wholesale concepts under trade names different from the Proprietary Marks that compete with Pet Depot Stores, including retail and wholesale businesses that feature pet services, pet food, pet food home delivery services, Internet ordering, veterinary services, pet grooming services, or other products and services similar to those now, or in the future, featured at Pet Depot Stores.

1.2.6 To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Proprietary Marks and the Pet Depot System, including, without limitation, toll-free "1-800", "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers and military bases.

1.3 **No Right to Use Proprietary Marks or System**. This Agreement is not a Franchise Agreement, and does not grant Developer any right to use or to franchise the use of, the Proprietary Products, the Proprietary Marks or the Pet Depot System.

1.4 **Term**. Unless sooner terminated as provided in this Agreement, the Term of this Agreement, and all rights granted under this Agreement, shall commence on the Effective Date and shall expire on the date set forth in the Development Schedule as the date the final Franchised Business is to be Opened for business (the "**Term**"). Following the expiration of the Term of this Agreement or the sooner termination of this Agreement, Franchisor and its Affiliates may construct, equip, Open and operate, and license others the rights to construct, equip, Open and operate additional Pet Depot® Stores at any location within the Development Area, without restriction, subject to any exclusive territorial rights granted for any then existing Franchised Business under the applicable Franchise Agreement executed for that Franchised Business.

1.5 **Developer May Not Exceed Minimum Development Obligation**. Unless Franchisor otherwise agrees in writing, Developer may not construct, equip, Open or operate more than the cumulative number of Franchised Businesses comprising the Minimum Development Obligation.

2. DEVELOPMENT FEE AND OBLIGATIONS

2.1 **Development Fee**. Upon execution of this Agreement, Developer shall pay Franchisor a development fee of $5,000 for each Franchised Business to be developed pursuant to this Agreement, or an aggregate of $_____, which fee has been fully earned, and is non-refundable, in whole or in part, in consideration of administrative and other expenses incurred by Franchisor and for the development

opportunities lost or deferred as a result of the rights granted Developer under this Agreement. Developer shall sign the Franchise Agreement for the first Franchised Business and pay Franchisor an Initial Franchise Fee when Developer signs this Agreement.

2.2 **Execution of Franchise Agreements**. Developer shall execute a Pet Depot Franchise Agreement for each Franchised Business to be franchised, the form of which, in each instance, shall be that which is then currently being offered by Franchisor to new franchisees for Franchised Businesses. The current form of Franchise Agreement is attached as **Attachment C**. Developer shall execute and deliver each Pet Depot Franchise Agreement to Franchisor on or before the date specified for the execution of such Franchise Agreement in the Development Schedule. Notwithstanding any contrary provision in any form of Franchise Agreement executed by Developer, the Initial Franchise Fee to be paid under the Franchise Agreement for each Franchised Business shall be the fee as stated in the Development Schedule. Developer shall receive a twenty percent (20%) discount on the Initial Franchise Fee for the second and each additional Franchised Business Opened by Developer.

2.3 **Development Schedule**. Recognizing that time is of the essence under this Agreement, Developer shall satisfy the Development Schedule by executing Franchise Agreements and opening Franchised Businesses within the time established in the Development Schedule. Failure by Developer to adhere to any date set forth in the Development Schedule for the Minimum Development Obligation shall constitute a default under this Agreement, except as otherwise provided in Section 2.4 of this Agreement.

2.4 **Force Majeure**. Neither Party will be in default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. If a Party is unable to meet the Minimum Development Obligation required under the Development Schedule solely as a result of Force Majeure, the Development Schedule shall be extended by an amount of time equal to the time period during which the Force Majeure shall have existed. In the event of the occurrence of an event constituting Force Majeure, the Party claiming the extension by Force Majeure shall notify the other Party in writing within ten (10) days after commencement of the Force Majeure of the specific nature and extent of the Force Majeure, and how it has impacted that Party's performance hereunder. The particular time period to which the event of Force Majeure applies shall be extended by an amount of time equal to the time period during which the Force Majeure shall have existed. The Party claiming the extension by Force Majeure shall continue to provide the other Party with updates and all information as may be requested by the other Party, including that Party's progress and diligence in responding to and overcoming the Force Majeure. The determination that an event of Force Majeure has occurred with respect to Developer shall be made solely by Franchisor based upon the event causing the delay.

3. SITE SELECTION

3.1 **Site Selection Guidelines**. Franchisor shall provide site selection guidelines to Developer. All sites to be developed by Developer pursuant to the terms of this Agreement shall be in locations and of types, sizes and designs and under terms all subject to the prior written approval of Franchisor.

3.2 **Site Submission**. Developer shall diligently seek appropriate sites in the Development Area for Franchised Businesses in accordance with Franchisor's site selection criteria. Developer shall submit demographic and other information for proposed sites for Franchisor's approval in the manner designated by Franchisor from time to time. A proposed site shall be submitted to Franchisor only after Developer has determined that the site is available on generally acceptable terms.

3.3 **Site Review**. Developer shall exert his best efforts to select mutually acceptable sites for the Franchised Businesses immediately following the Effective Date. Franchisor shall review each proposed site submitted by Developer and approve, reject or provide comments to Developer regarding same within thirty (30) days after receipt by Franchisor of all available information regarding a proposed site. Franchisor shall have the sole and absolute discretion to reject any site Franchisor deems inappropriate as a location for a Franchised Business. Franchisor shall bear all expenses in connection with its review of proposed sites only for such period of time as Developer, in good faith, submits carefully investigated and selected sites for Franchisor's review and approval. Any approval furnished by Franchisor or assistance in selecting a location for a Franchised Business is not, and shall not be deemed to be, a guarantee or assurance by Franchisor that the Franchised Businesses shall be profitable or successful and Franchisor hereby expressly disclaims and responsibility therefor. Developer acknowledges and agrees that Developer has the sole responsibility for finding each site for the Franchised Businesses to be developed under this Agreement.

3.4 **Site Acquisition/Lease**. After a site proposed by Developer has been accepted by Franchisor, Developer shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed Lease or purchase agreement, as applicable, to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 3.4.1 have been included in the proposed Lease and/or that the Landlord and Developer have executed a Lease Assignment Agreement in the form specified by Franchisor for such site prior to execution of the same by Developer. Developer shall not execute any Lease or purchase agreement for any site until it has been reviewed and accepted by Franchisor and Franchisor has delivered to Developer a fully executed Franchise Agreement pursuant to Section 3.5 of this Agreement. If Developer purchases any operating Franchised Businesses from Franchisor, or its Affiliates, Developer shall sublease the sites for such Franchised Businesses from Franchisor, or its Affiliates.

3.4.1 Each Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of a Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent; (ii) Franchisor shall have the right (but not the obligation) to succeed to Developer's rights under the Lease if Developer fails to exercise any option to renew, and or extend the term of the Lease; (iii) upon Developer's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease; (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Developer and the Landlord; (v) Developer shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor; and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Pet Depot Proprietary Marks from the Franchised Business and modify the decor of the Franchised Business so that it no longer resembles, in whole or in part, a Pet Depot Store, if Developer fails to do so. In lieu of including these provisions in the Lease, Franchisor, Developer and the Landlord shall execute a Lease Assignment Agreement in the form specified by Franchisor at the time the Lease is executed by Developer and the Landlord. If Franchisor elects to succeed to Developer's rights under the Lease, Developer shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

3.5 **Franchise Agreement**. Franchisor and Developer shall execute Franchisor's Then Current Franchise Agreement in the form then being provided to prospective developers and franchisees of Franchisor, the terms of which, including, without limitation, the amount of the royalty fee and advertising fee, may differ materially and be less advantageous to Developer than the terms of Franchisor's current

Franchise Agreement. After Franchisor's acceptance of the site, Lease or purchase agreement, Developer's execution of a Franchise Agreement and payment of the applicable Initial Franchise Fee, and Franchisor's delivery of a fully executed Franchise Agreement to Developer, Developer shall then procure the site pursuant to the form of Lease or purchase agreement reviewed and accepted by Franchisor and shall forward to Franchisor, within ten (10) days after its execution, one copy of the executed Lease or purchase agreement and, if purchased, the deed evidencing Developer's right to occupy the site. Developer shall also execute and cause the landlord of the Franchised Location to execute, Franchisor's Then Current Lease Assignment Agreement. Developer shall then commence construction and operation of the Franchised Businesses at the site pursuant to the terms of the Franchise Agreement.

3.6 **Condition Precedent to Franchisor's Obligation**. Franchisor shall not be required to execute any Franchise Agreement if, at the time scheduled for execution, Developer or any Primary Owner, or any Affiliate of Developer shall be in default of any of the terms or provisions of this Development Agreement or of any other agreement between Franchisor, or its Affiliates, and Developer.

4. CONFIDENTIAL INFORMATION

4.1 Developer acknowledges and agrees that the Pet Depot System is comprised of confidential information that has been developed by Franchisor and its Affiliate by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes "**Trade Secrets**" of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of inventory and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Pet Depot Store which may be communicated to Developer, or of which Developer may be apprised, by virtue of Developer's operation of the Pet Depot Store under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Developer prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Developer after receiving it; has been received lawfully and in good faith by Developer from a third party who did not derive it from Franchisor or Developer; or is shown by acceptable evidence to have been independently developed by Developer.

4.1.1 To protect the Pet Depot System, the Pet Depot Mark, the Pet Depot Trade Secrets and the goodwill associated with the same, Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Pet Depot Confidential Information. Developer shall divulge such Pet Depot Confidential Information only to its supervisorial or managerial personnel who must have access to it in order to perform their employment responsibilities.

4.1.2 Developer acknowledges that failure to comply with the requirements of this Section 4 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 4.

4.1.3 Developer shall require any supervisorial or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Pet Depot Confidential Information they receive in connection with their association with Developer. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

4.1.4 Nothing in this Article 5 is intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

5. ASSIGNMENT AND TRANSFER

5.1 **Assignment by Franchisor**. Developer acknowledges that Franchisor maintains a staff to manage and operate the System and that staff members can change from time to time. Developer represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Franchisor in that capacity. Franchisor shall have the right, without the need for Developer's consent, to assign, Transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided that the Proposed Buyer agrees in writing to assume all obligations undertaken by Franchisor herein and Developer receives a statement from both Franchisor and its Proposed Buyer to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Developer further agrees and affirms that Franchisor may go public, may engage in a private placement of some or all of its securities, may merge, acquire other corporations, or be acquired by another corporation, and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Proprietary Marks (or any variation thereof) and Pet Depot System and/or the loss of association with or identification of Labrador Franchises, Inc. as Franchisor under this Agreement. Developer specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Developer agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to

operate, franchise or license those businesses and/or facilities as Pet Depot® Stores operating under the Proprietary Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Developer acknowledges may be proximate to the Franchised Businesses).

5.2 **Transfer by Developer**. The development rights granted to Developer are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Developer and, if Developer is a corporation, limited liability company or other business entity, that of its officers, directors, shareholders, managers, members, trustees or Parties. Accordingly, to protect the Pet Depot System, the Pet Depot Mark, the Pet Depot Trade Secrets and the goodwill associated with the same, Developer shall not have the right, by operation of law or otherwise, without Franchisor's prior written consent, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement; (ii) the right to use the System or the Proprietary Marks; or (iii) all or a significant portion of the other assets of Developer. Franchisor shall not withhold its consent unreasonably if, in Franchisor's judgment, Developer satisfies the conditions to Transfer identified in this Agreement. Without Franchisor's prior written consent, Developer shall not offer for sale or Transfer at public or private auction any of the individual assets of the Franchised Businesses.

5.2.1 For purposes of this Agreement, each of the following events is a **"Transfer"** which requires Franchisor's prior written consent and is subject to the conditions to transfer identified in this Agreement: (i) a change in ownership of Developer due to a consolidation or merger involving Developer or any Developer Affiliate; (ii) if Developer is an individual, an order dissolving Developer's marriage; (iii) the death or "**Incapacity**" (as defined below) of Developer if Developer is an individual, or the death or Incapacity of any person satisfying the definition of Developer's Primary Owner; (iv) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation by any Primary Owner of its entire ownership interest, or of a Controlling Interest in the Equity or voting interests of Developer or any Developer Affiliate; (v) the issuance of additional shares representing a Controlling Interest in the Equity or voting interests of Developer or any Developer Affiliate. (For example, and without limitation, a financial restructuring or recapitalization secured by either a Controlling Interest in the Equity or voting interests of Developer or all or substantially all of the physical assets of the Franchised Businesses, shall constitute a Transfer subject to the provisions of this Agreement); (vi) a transfer of any interest in this Agreement; or (vii) the offer or sale of securities of Developer pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum.

5.2.2 Any attempted or purported Transfer which fails to comply with the requirements of this Agreement shall be null and void and shall constitute a default under this Agreement.

5.2.3 Developer may not Transfer this Agreement without simultaneously transferring to the same Proposed Buyer all other Franchise Agreements then existing between Developer and Franchisor and all assets of each Franchised Business subject to existing Franchise Agreements between the Parties.

5.2.4 Neither Franchisor's exercise of its right of first refusal nor its consent to a Transfer to an approved Proposed Buyer shall operate to release Developer or the Seller from this Agreement or any Guarantee.

5.3 **Franchisor's Right of First Refusal**. Except with respect to "**Qualified Transfers**", if Developer, or the person to whom an offer is directed (the "**Seller**"), receives a bona fide written offer

("**Third Party Offer**") to purchase or otherwise acquire an interest which will result in a Transfer within the meaning of this Agreement, Developer or the Seller, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Transfer. To constitute a bona fide written offer, the offer must apply to all of the Franchise Agreements then existing between Developer and Franchisor and all assets of each Franchised Business subject to existing Franchise Agreements between the Parties. Developer, or the Seller, shall attach to its application for consent to complete the Transfer a copy of the Third Party Offer together with (i) information relating to the Proposed Buyer's experience and qualifications; (ii) a copy of the Proposed Buyer's current financial statement; and (iii) any other information material to the Third Party Offer, Proposed Buyer and proposed assignment or that Franchisor requests. Franchisor or its nominee shall have the right, exercisable by written notice ("**Notice of Exercise**") given to Developer or the Seller, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Developer or the Seller that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer; and (ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing from Developer to Franchisor and the Marketing Fund under this Agreement or otherwise. The closing shall take place at Franchisor's headquarters at a mutually agreed upon date and time, but not later than sixty (60) days following Franchisor's receipt of the Third Party Offer, all supporting information, and the application for consent to the Transfer. At the closing, Developer or the Seller shall deliver to Franchisor the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Developer or the Seller to the Proposed Buyer pursuant to the Third Party Offer. Additionally, Developer and the Seller shall deliver a General Release. All costs, fees, document taxes and other expenses incurred in connection with the Transfer shall be allocated between Developer and Franchisor in accordance with the terms of the Third Party Offer, and any costs not allocated shall be paid by Developer or the Seller. If Franchisor gives timely Notice of Exercise but, through no fault of Developer or the Seller, fails to close the purchase for any reason, Developer or the Seller shall have no recourse against Franchisor. Developer or the Seller may not complete the sale to the Proposed Buyer without first obtaining Franchisor's prior written consent and satisfying the other conditions to Transfer stated in this Agreement.

5.4 **Qualified Transfers**. Neither Franchisor's right of first refusal nor the other conditions of Transfer shall apply to the following Transfers ("**Qualified Transfers**"): (i) the Transfer or assignment of Equity or voting interests constituting less than a Controlling Interest of the Equity or voting interests of a Developer; and (ii) if Developer is an individual, the Transfer by Developer all of his or her rights under this Agreement to a newly-formed corporation, limited liability company or other business entity provided all of the Equity or voting interests of the new business entity are owned by the individual. Developer shall give Franchisor written notice of the occurrence of an event constituting a Qualified Transfer and shall pay a transfer fee of $1,000 to compensate Franchisor for its expenses in recording the ownership change.

5.5 **Conditions of Assignment to Third Party**. If Franchisor does not exercise its right of first refusal or complete the purchase of the interest which is the subject of a Third Party Offer, or if of a Qualified Transfer or other event of Transfer which requires Franchisor's prior written consent, Franchisor shall determine whether or not to issue its consent to the proposed Transfer and shall notify Developer of its decision by no later than the following dates: (i) if Franchisor gives timely Notice of Exercise but does not consummate the Transfer through no fault of Developer or the Seller, notice shall be given within ten (10) days after the scheduled closing date for Franchisor's purchase of the interest, or thirty (30) days after Notice of Exercise is given, whichever occurs latter; or (ii) in all other cases, notice shall be given thirty (30) days

following Franchisor's receipt of the Third Party Offer (if any), all supporting information and the application for consent to Transfer. As a condition to issuing consent to a Transfer, Franchisor shall require that all of the following conditions be satisfied:

5.5.1 The Proposed Buyer must submit a completed franchise application to Franchisor, pay Franchisor's Then Current application fee and meet Franchisor's Then Current qualifications for new Pet Depot® franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation. The franchise fee, if paid, shall be non-refundable.

5.5.2 As of the date consent is requested and through the date of closing of the proposed Transfer and assignment, Developer must not be in default under this Agreement or any other agreements with Franchisor, and must be current with all monetary obligations owed to third parties, including (without limitation) Franchisor's Affiliates.

5.5.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to properly maintain, operate and promote the Franchised Businesses and meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors. This provision shall not create any liability to either Seller or the Proposed Buyer on the part of Franchisor, if Franchisor approves the Transfer and the Proposed Buyer experiences financial difficulties.

5.5.4 The Proposed Buyer must sign Franchisor's Then Current form of Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, and, upon execution, pay a transfer fee of $5,000 plus Franchisor's out of pocket costs associated with the Transfer, including costs of attorneys' fees associated with the Transfer.

5.5.5 Developer will remain subject to all obligations stated herein that expressly, or by their nature, survive the Termination Date or Expiration Date, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

5.5.6 Developer shall execute a General Release.

5.5.7 The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Transfer of this Agreement. If the Proposed Buyer is a corporation, limited liability company or other business entity, each person who at the time of the Transfer, or later, owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of the Proposed Buyer must execute the form of Guarantee attached to this Agreement as Attachment D and incorporated herein by reference.

5.5.8 The Proposed Buyer and each partner, shareholder or member of the Proposed Buyer, as the case may be, must be a United States citizen or lawful resident alien of the United States and must have sufficient literacy and fluency in the English language sufficient, in Franchisor's opinion, to communicate with employees, customers, and suppliers of Franchisor and to satisfactorily complete Franchisor's required training program and such other tests and interviews as Franchisor shall reasonably deem to be necessary or desirable. Developer shall provide Franchisor with such information as Franchisor may require to make a determination concerning such proposed Transfer.

5.5.9 Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Transfer, or otherwise, shall be subordinate to the Proposed Buyer's and Developer's duties owed to Franchisor and Franchisor's Affiliates under, or pursuant to, this Agreement or any other agreement.

All contracts by and between Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Developer only after any outstanding obligations owed to Franchisor and Franchisor's Affiliates are fully satisfied.

5.5.10 Developer must simultaneously transfer its rights under any other contracts whose continuation is necessary for operation of the Franchised Businesses, to the same Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Developer's rights to the Proposed Buyer.

5.5.11 Developer, as transferor, shall execute a continuing guarantee in favor of Franchisor of the performance and payment by the Proposed Buyer, of all obligations and debts to Franchisor and its affiliates under the new Area Development Agreement. Transferee shall additionally execute all other documents and agreements required by Franchisor to consummate the Transfer.

5.6 **Closing of Sale to Third Party**. If Franchisor consents to a Transfer to a Proposed Buyer, Developer, or the Seller, may only complete the Transfer to the Proposed Buyer on the terms identified in the Third Party Offer or as otherwise stated in Developer's application for consent. If there is any material change in the terms of the Third Party Offer, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Article 5. If Franchisor consents to the Transfer to a Proposed Buyer, the Transfer must close within sixty (60) days from the date the Third Party Offer is first submitted to Franchisor unless Franchisor grants an extension of time in writing, otherwise, it must again be offered to Franchisor.

5.7 **Business Entity Developer**. Developer represents and warrants that the information set forth in Attachment F which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth in Attachment F, and shall submit to Franchisor a revised Attachment F, certified by Developer as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Attachment F. Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all Owners who may have any direct or indirect financial interest in Developer. If Developer is a corporation, limited liability company, partnership, or other business entity, it shall furnish to Franchisor, upon execution of this Agreement or at such other time as a Transfer to the business entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, and a list of all Owners of the Equity or voting interests of the business entity. Additionally, Developer shall promptly provide Franchisor with a copy of any amendments to, or changes in, the information during the Term. During the Term, each Owner who now or later owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of Developer must execute Franchisor's form of Guarantee attached as Attachment D. Developer shall maintain stop transfer instructions against the Transfer on its records of any Equity or ownership interests. Each certificate representing an ownership interest in Developer shall bear a legend, in the form stated in the Manual, that it is held, and further assignment or Transfer thereof is, subject to all restrictions imposed upon Transfer set forth in this Agreement. Developer shall deliver a certificate to Franchisor annually, when Developer's annual financial statements are delivered, which lists all Owners of

record and all beneficial Owners of any interest in the Equity or voting interests of Developer and identifies all transfers of Equity or voting interests in Developer which have occurred during the period covered by the annual financial statement.

5.8 **Death or Incapacity**. In the event of the death or Incapacity of Developer or any person satisfying the definition of Developer's Primary Owner, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or Parties (collectively, the "Successor") shall have one hundred eighty (180) days from the date of death or Incapacity in which to (i) purchase the interest of the deceased or incapacitated person in the franchise or Developer; or (ii) complete the sale or assignment of the interest to a qualified, approved Proposed Buyer, provided, in either case, the purchase or assignment complies with the conditions for Transfer stated in this Article 5. If the Successor purchases the interest of the deceased or incapacitated person, the Successor who will be responsible for the management of the Franchised Businesses shall attend and successfully complete Franchisor's initial training program. During the period that the Successor operates Developer's Franchised Businesses, the Successor shall perform all of the obligations of Developer under this Agreement. At the end of the one hundred eighty (180) day period, if the Successor has not purchased the franchise or obtained Franchisor's consent to a Transfer to a Proposed Buyer, Franchisor may, at its election, terminate this Agreement. "Incapacity" means an inability due to medical reasons to devote full time and attention to supervising all administrative and operational activities of the Franchised Businesses and compliance with this Agreement continuing for at least four (4) months in the aggregate during any consecutive twelve (12) month period during the Term, based upon the examination and findings of a physician selected by Franchisor. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties under this Agreement on a full time basis for thirty (30) consecutive days.

5.9 **No Sub-franchising by Developer**. Developer shall not offer, sell, or negotiate the sale of Pet Depot® franchises to any third party, either in Developer's own name or in the name of and/or on behalf of Franchisor, or otherwise sub-franchise, subcontract, sublicense, share, divide or partition this Agreement, and nothing contained in this Agreement will be construed as granting Developer the right to do so. Developer shall not execute any Franchise Agreement with Franchisor, or construct or equip any Franchised Business with a view to offering or assigning such Franchise Agreement or Franchised Business to any third party.

6. DEFAULT AND TERMINATION

6.1 **Termination In the Event of Developer's Bankruptcy or Insolvency**. Developer shall be deemed to be in Default under this Agreement, and all rights granted to Developer of this Agreement shall automatically terminate without notice to Developer, if Developer or Primary Owner becomes insolvent or makes a general assignment for the benefit of creditors, if a petition in bankruptcy is filed by Developer or Primary Owner or such a petition is filed against and not opposed by Developer or Primary Owner, if Developer or Primary Owner is adjudicated as bankrupt or insolvent, if a bill in equity or other proceeding for the appointment of a receiver of Developer or Primary Owner or other custodian for Developer's or Primary Owner's business or assets is filed and consented to by Developer or Primary Owner, if a receiver or other custodian (permanent or temporary) of Developer's or Primary Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, if proceedings for a composition with creditors under any state or Federal law is instituted by or against Developer or Primary Owner, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), if Developer or Primary Owner is dissolved, if developer admits developer is unable to generally pay Developer's or Primary Owner's debts as they become due, if execution is levied against Developer's or

Primary Owner's business or property, if suit to foreclose any lien or mortgage against Developer's or Primary Owner's business premises or equipment is instituted against Developer or Primary Owner and not dismissed within thirty (30) days, or if the real or personal property of Developer's or Primary Owner's business shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 **Termination With Notice and Without Opportunity to Cure**. Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Developer upon the occurrence of any of the following events.

6.2.1 If Developer (or an officer, director, shareholder, general or limited partner, or member) is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.2 If Developer fails to comply with the Development Schedule.

6.2.3 If any of Developer's Franchise Agreements or any other agreement between Developer and Franchisor or its Affiliates is terminated due to a breach or Default by Developer.

6.2.4 If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Developer, or in all or substantially all of Developer's assets is made to any third party without Franchisor's prior written consent, or any transfer of forty-nine percent (49%) or more of the capital stock membership interests, partnership interests, or other Equity ownership interests of Developer, contrary to the terms of this Agreement.

6.2.5 If, contrary to the terms of Article 4 of this Agreement, Developer or any principal or employee of Developer discloses or divulges the contents of the Manual or other confidential information provided to Developer by Franchisor.

6.2.6 If an approved transfer, as required by Section 5.8 of this Agreement, is not effected within the time provided following death or Incapacity.

6.2.7 If Developer fails to comply with the covenants in Section 8.1 of this Agreement or fails to obtain execution of and deliver the covenants required under Section 8.7 of this Agreement.

6.2.8 If Developer or Primary Owner has made any material misrepresentations in connection with Developer's application to Franchisor for the development rights granted of this Agreement.

6.2.9 If Developer fails to obtain or maintain required insurance coverage.

6.2.10 If Developer, after curing a Default pursuant to Section 6.3 of this Agreement, commits the same, similar, or different Default, whether or not cured after notice.

6.2.11 If Developer or an Affiliate fails to comply with any or all of the terms of this Agreement or any other agreement between Franchisor, or its Affiliates, and Developer within ten (10) days after receipt of written notice from Franchisor to do so.

6.2.12 If Developer breaches its obligations under this Agreement or any other agreement between Developer and Franchisor, which by its nature is not capable of being cured by Developer.

6.3 **Termination With Notice and Opportunity to Cure**. Except as provided in Sections 6.1 and 6.2 of this Agreement, Developer shall have thirty (30) days after its receipt from Franchisor of a written Notice of Termination within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any such Default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Developer effective immediately upon expiration of the thirty (30) day period or such longer period as applicable law may require. Developer shall be in Default pursuant to this Section 6.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manual, or for failure to carry out the terms of this Agreement in good faith.

6.4 **Franchisor's Options At Termination**. Upon any Default under Sections 6.2 or 6.3 of this Agreement, Franchisor may immediately take any one or more of the following actions, by written notice to Developer (i) terminate this Agreement and all rights granted to Developer under this Agreement; (ii) accelerate or decelerate the Development Schedule; (iii) reduce the Minimum Development Obligation required under this Agreement; (iv) eliminate or diminish Developer's rights, as set forth in Section 1.2 of this Agreement, with respect to the Development Area or the size of the Development Area or the Minimum Development Obligation; and/or (v) increase the franchise fee to be paid by Developer from the fee set forth in the Development Schedule; provided, however, that, in no event shall such fee exceed the Then Current initial fee collected by Franchisor in connection with the execution of a single Franchise Agreement for a Pet Depot Franchised Business.

6.5 **Cross-Default**. Any Default by Developer under the terms and conditions of this Agreement, any Franchise Agreement, Lease, or any other agreement between Franchisor, or its Affiliates, and Developer, shall be deemed to be a Default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its Affiliates, and Developer, Franchisor may, at its option, terminate any or all of such other agreements.

7. OBLIGATIONS UPON TERMINATION OR EXPIRATION

To protect the Pet Depot System, the Pet Depot Mark, the Pet Depot Trade Secrets and the goodwill associated with the same:

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Developer shall forthwith terminate, and:

7.1 **No Right to Open Additional Franchised Businesses**. Developer shall have no right to establish or operate any Franchised Business for which a Franchise Agreement has not been executed by Franchisor at the time of termination.

7.2 **Franchisor's Right to Establish Franchised Businesses**. Franchisor shall have the right to establish, and to franchise others to establish, Franchised Businesses in the Development Area except as may be otherwise provided under any Franchise Agreement in effect between Franchisor and Developer.

7.3 **Franchisor's Right to Terminate Existing Franchise Agreements and Purchase Tangible Assets**. In the event of termination for any Default of Developer, Franchisor shall have the option, to be

exercised within thirty (30) days after this Agreement is terminated, to terminate the Franchise Agreements for, and purchase Developer's interest in, any or all Franchised Businesses, regardless of whether such Franchised Businesses are under construction or are Open and operating, and all of the "tangible assets" of Developer related to such Franchised Business(s) (as defined in this Section 7.3) at the lesser of Developer's net book value (using a 5-year straight line amortization period) or fair market value in accordance with the applicable provisions of the Franchise Agreements. For purposes of this Section 7.3, the term "tangible assets" shall mean only the leasehold improvements, furniture, fixtures, equipment and interior and exterior signs at the Franchised Businesses. The purchase price shall not contain any amount for "goodwill", "going concern value" or Initial Franchise Fees, royalty fees, advertising fees or any other sums paid to Franchisor by Developer prior to the termination of this Agreement. In addition, the purchase price shall not include payment for any inventory or supplies or leasehold improvements, equipment, fixtures or signs which Franchisor deems obsolete or has theretofore designated as failing to meet quality standards for the System.

7.4 **Irreparable Injury to Franchisor**. Developer agrees and acknowledges that Developer's failure to comply with the provisions of Section 7.3 will result in irreparable harm to Franchisor and to the Proprietary Marks, and Developer agrees to pay all damages, expenses, court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, and/or damages resulting from a violation of, the requirements of Section 7.3 of this Agreement.

7.5 **Payment of Monies Due**. Developer shall promptly pay all sums owing to Franchisor and its Affiliates. If this Agreement is terminated because of a Default by Developer, such sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Businesses, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Developer to use the Proprietary Marks, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Developer under this Agreement for the use of the Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Developer.

7.6 **Return of Materials and Other Confidential Information**. Developer shall immediately deliver to Franchisor the Manual and all other manuals, records, correspondence files, and any instructions containing confidential information relating to the operation of Developer's business which are in Developer's possession, and all copies thereof (all of which are acknowledged to be the property of Franchisor).

7.7 **Restriction on Publicly Traded and Private Securities**. Securities, partnership or other ownership interests in Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Developer shall imply that Franchisor is participating in an underwriting, issuance

or offering of securities of Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Developer and Franchisor, and its Affiliates. Franchisor may, at its option, require Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Developer, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Developer shall pay to Franchisor a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

8. COVENANTS

8.1 **Non-Competition During Term of Agreement**. During the Term and any Renewal Term, it shall be a breach of this Agreement for Developer, Developer's Affiliates or any Restricted Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, any Competitive Business, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, located anywhere in the world which derives more than ten percent (10%) of its Gross Sales from the manufacture, sale or distribution, at retail or wholesale, of pet food, pet supplies, veterinary services for animals, pet grooming or any other service that Franchisor deems to be part of the services it offers to the public, provided, however, the restrictions stated in this Section 8.1 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, Parties, general partner, employee or otherwise associated in any capacity with Developer.

8.2 **Non-Competition After Execution or Termination of Agreement**. For two (2) years following (i) the Termination Date or Expiration Date of this Agreement for any reason; (ii) a Transfer; or (iii) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 8.2), whichever occurs first, it shall be a breach of this Agreement for Developer, Developer's Affiliates or any Restricted Person, directly or indirectly, to own (either beneficially or of record), engage in or render any services to, any Competitive Business at a location designated as a "**Franchised Location**" or a "**Covered Area**" in a Franchise Agreement between Franchisor as franchisor, and Developer, or an Affiliate or Owner of Developer, as franchisee, except in accordance with the terms of an effective Franchise Agreement between Franchisor, as franchisor, and Developer, or an Affiliate or Owner of Developer, as franchisee, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent; provided, however, the restrictions stated in this Section 8.2 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, Parties, general partner, employee or otherwise associated in any capacity with Developer.

8.3 **Exceptions to Non-Compete Covenants**. The restrictions against competition in this Article 8 do not apply to (i) the rights granted to Developer, Developer's Affiliates or any Restricted Person under another Franchise Agreement pertaining to the use of the System or Proprietary Marks; or (ii) to the

ownership by Developer, Developer's Affiliates or any Restricted Person of five percent (5%) or less of the voting stock of an entity whose shares are publicly traded on a national or foreign stock exchange that manufactures, sells or distributes, at retail or wholesale, pet supplies, vet services or pet grooming.

8.4 **Reducing Scope of Covenants**. Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant in Section 8.1 and Section 8.2 or any portion thereof, without Developer's consent, effective immediately upon Developer's receipt of written notice thereof, and Developer shall comply forthwith with any covenant as so modified, which shall be fully enforceable under this Agreement.

8.5 **Survival**. The covenants stated in this Article 8 shall survive termination, expiration or the Transfer of this Agreement.

8.6 **Savings Clause**. The Parties acknowledge that the covenants set forth in this Article 8 are independent of the other covenants and provisions of this Agreement. If any provision in this Article is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Franchised Location is located (the "**Local Laws**"), the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of this Article 8, but only with respect to those subjects. Developer expressly authorizes Franchisor to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Developer expressly agrees, on behalf of itself and each Restricted Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

8.7 **Enforcement**. Franchisor shall suffer irreparable injury not capable of precise measurement in money damages if Developer or any Restricted Person breaches the covenants set forth in this Article 8. Accordingly, if a breach occurs, Developer, on behalf of itself and each Restricted Person, hereby consents to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may be granted by a court having proper jurisdiction, without the requirement that Franchisor post bond. Developer further agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

9. DEVELOPER AS AN ENTITY

9.1 **Corporate Developer**. Except as otherwise approved in writing by Franchisor, if Developer is a corporation, it shall: (a) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to developing and operating the Franchised Businesses; (b) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (c) not issue any non-voting securities convertible into voting securities; (d) maintain a current list of all Owners of record and all beneficial owners of any class of voting stock of Developer and furnish the list to Franchisor upon request. In addition, each present and future shareholder of Developer who now or later owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the Equity or voting interests of Developer shall jointly and severally guarantee Developer's performance of each and every provision of this Agreement by executing a Guarantee in the form attached as **Attachment D** provided, however, that no guarantee shall be required from a shareholder who acquires Developer's securities after Developer becomes registered under the Securities Exchange Act of 1934.

9.2 **Partnership Developer**. If Developer is a partnership it shall: (a) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto; and (b) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Developer.

9.3 **Limited Liability Company Developer**. If a Developer is a limited liability company, Developer shall: (a) furnish Franchisor with a copy of its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (b) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Developer; and (c) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

9.4 **Default**. An event of Default under this Agreement shall occur if any guarantor fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request: (i) evidence of the due execution of the Guarantee; and (ii) current financial statements of guarantor as may from time to time be requested by Franchisor.

10. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

10.1 **No Fiduciary Relationship**. This Agreement does not create a fiduciary relationship between the Parties hereto. Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

10.2 **Public Notice of Independent Status**. Developer shall conspicuously identify itself and the Franchised Businesses in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Developer of Franchisor, and shall place such notice of independent ownership in its Franchised Businesses and on all forms. Franchisor shall have the right to specify the language of any such notice.

10.3 **Independent Contractor**. Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, nor shall Franchisor be liable by reason of any act or omission of Developer in its conduct of the Franchised Businesses or for any claim or judgment arising therefrom against Developer or Franchisor.

10.4 **Indemnification**. Developer and its Owners and Affiliates (collectively, the "Indemnitors") shall indemnify and hold harmless to the fullest extent by law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders, and agents, (collectively the "**Indemnitees**") from any and all losses and expenses (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Developer's operation of the Franchised Businesses including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Locations, and regardless of whether the same is between Indemnitors and Indemnities (collectively an "**event**"), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees;

provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of indemnities (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative negligence or contributory negligence attributable to Developer). For the purpose of this Section 10.4, the term "**losses and expenses**" shall be deemed to include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, and all other costs associated with any of the foregoing losses and expenses. Developer shall give Franchisor prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of Developer, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek the advice and counsel of Developer. Any assumption of Franchisor shall not modify Developer's indemnification obligation. Franchisor may, in its sole judgment, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole judgment, necessary for the protection of the indemnities or the Pet Depot System.

11. JUDICIAL RELIEF

11.1 **Courts of California**. The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California located closest to Franchisor's headquarters, unless the subject matter of the dispute arises exclusively under federal law, in which event the dispute shall be submitted to the United States District Court located closest to Franchisor's headquarters. As of the date of this Agreement, the patties acknowledge that the Superior Court of the County of Los Angeles, and the United States District Court of the Central District of California are, respectively, the state and federal courts that are located closest to Franchisor's headquarters; however, the Parties further acknowledge that Franchisor may relocate its headquarters in its discretion at any time without notice to Developer. The Parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this section. Nothing in this Section 11.1 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject.

11.2 **Inconvenient Forum**. To the fullest extent that it may effectively do so under Applicable Law, Developer waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this section and agrees not to commence any action of any kind against Franchisor, Franchisor's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this section.

11.3 **Trial by Jury**. FRANCHISOR AND DEVELOPER EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION PROCEEDING AND/OR HEARING BROUGHT BE EITHER FRANCHISOR OR DEVELOPER ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PROPRIETARY MARKS OR SYSTEM BY DEVELOPER, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER LAW.

11.4 **Choice of Law**. This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California. In the event of

any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Pet Depot Store is located outside of California and such provision would be enforceable under the laws of the state in which the Pet Depot Store is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 11.4 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

11.5 **Limitations Period**. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) ninety (90) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability; or (ii) one (1) year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability.

11.6 **Punitive or Exemplary Damages**. Franchisor and Developer, for themselves and their Constituents, hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

11.7 **Attorneys' Fees**. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the Parties hereunder, the prevailing Party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "**prevailing Party**" is the Party who recovers greater relief in the action. Franchisor shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement.

12. ACKNOWLEDGEMENTS

Developer understands and agrees and represents to Franchisor, to induce Franchisor to enter into this Agreement, that:

12.1 **Acceptance of Conditions**. Developer has read this Agreement and Franchisor's Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Pet Depot® in order to protect and preserve the Pet Depot System, the Pet Depot Proprietary Marks, the Pet Depot Trade Secrets and the goodwill associated with the same.

12.2 **Independent Investigation**. Developer has conducted an independent investigation of the business contemplated by this Agreement. Developer recognizes that the Pet Depot® System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Developer's business ability and efforts.

12.3 **Reliance**. Developer has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

12.4 **No Representations; Status of Developer**. No representations have been made by Franchisor, Franchisor's Affiliates or their respective officers, directors, shareholders, employees or agents

that are contrary to statements made in the disclosure document previously received by Developer or to the terms contained in this Agreement. Developer (if an individual) or each person executing a Guarantee of Developer's obligations, is a United States citizen or a lawful resident alien of the United States, if Developer is a corporation, limited liability company, partnership or other business entity, it shall remain duly organized and in Good Standing for as long as this Agreement is in effect and it owns the franchise rights, and all financial and other information provided to Franchisor in connection with Developer's application is true and correct and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

12.5 **Anti-Terrorism Laws**. Developer shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with such compliance Developer certifies, represents and warrants that none of Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Developer is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Developer or Developer's personnel or any "blocking" of Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Developer has entered into with Franchisor or any of its affiliates, in accordance with the provisions of Section 6.5 of this Agreement.

13. MISCELLANEOUS

13.1 **Notices**. All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery with a guaranteed tracking facility, by certified mail, by facsimile transmission or by electronic transmission (email). Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid; (iv) on the day of facsimile transmission to the facsimile number given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of facsimile transmission; and (v) on the day of electronic transmission to the email address given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of electronic transmission. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:
Labrador Franchises, Inc.
1941 Foothill Boulevard, Suite A
La Verne, California 91750
Fax: 626-335-4867
Attention: President

With a copy to:
Barry Kurtz
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

Notices to Developer: _____
_____
_____
Fax: _____

Either Party may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other Party. Notwithstanding the Parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Franchisor during regular business hours on the date it is due shall be deemed delinquent.

13.2 **Time of the Essence**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

13.3 **Withholding of Consent**. Except where this Agreement expressly obligates Franchisor to reasonably approve or not unreasonably withhold its approval of any action or request by Developer, Franchisor has the absolute right to refuse any request by Developer or to withhold its approval of any action by Developer. Further, whenever the consent or approval of Franchisor is required under this Agreement such consent or approval must be in writing unless this Agreement specifies otherwise.

13.4 **Waiver**. Any waiver granted by Franchisor to Developer excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Franchisor to Developer or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Franchisor, and no action taken by Franchisor, with respect to any third party shall limit Franchisor's discretion to take action of any kind, or not to take action, with respect to Developer. Any waiver granted by Franchisor to Developer shall be without prejudice to any other rights Franchisor may have. The rights and remedies granted to Franchisor are cumulative. No delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy shall preclude Franchisor from fully exercising such right or remedy or any other right or remedy. Franchisor's acceptance of any payments made by Developer after a breach of this Agreement shall not be, nor be construed as, a waiver by Franchisor of any breach by Developer of any term, covenant or condition of this Agreement.

13.5 **Section Headings; Language**. The section headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Franchisor or Developer. The term "**Developer**" as used herein is applicable to one or more persons, corporations, partnerships or entities, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Developer hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor shall be joint and several. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or business entity not a Party hereto. Whenever this Agreement refers to "**business days**," it shall mean weekdays only, excluding Saturdays, Sundays and holidays.

13.6 **Binding on Successors**. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs and personal representatives of the Parties hereto.

13.7 **Validity/Conformity With Applicable Law**. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Law, but if any provision of this Agreement shall be invalid or prohibited under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement. To the extent that the provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Law, such provisions shall be deemed to be automatically amended to conform them to the provisions of such Applicable Law. To the extent any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be enforceable by reducing any or all thereof, the Parties agree that the provision shall be enforced to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought.

13.8 **Exclusive Remedy**. In no event shall Developer make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Developer waives any claim for damages. Developer may not claim any such damages by way of setoff, counterclaim or defense. Developer's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

13.9 **Amendments**. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on either Party unless it is set forth in writing and executed: (i) on behalf of Developer, by Developer if Developer is an individual, and, if not, by an authorized agent or officer of Developer; and (ii) on behalf of Franchisor, by any duly authorized officer of Franchisor.

13.10 **Entire Agreement**. This Agreement, including all Attachments attached hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof, sets forth the entire agreement between the Parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. Notwithstanding the foregoing, nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor heretofore furnished to Developer.

13.11 **Covenant and Condition**. Each provision of this Agreement performable by Developer shall be construed to be both a covenant and a condition.

13.12 **Submission of Agreement**. The submission of this Agreement to Developer does not constitute an offer to Developer, and this Agreement shall become effective only upon execution by Franchisor and Developer.

13.13 **Counterparts and Electronic Transmission**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all

purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

13.14 **Electronic Execution and Copies**. This Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and Electronic Signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits. An executed copy of this Agreement (or any portion of this Agreement) may be delivered by either of the Parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (collectively, "**electronic**"), and delivery will be effective and binding upon the Parties, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement. Developer acknowledges and agrees that Franchisor may create an electronic record of any or all agreements, correspondence or other communications between the Parties or involving third parties and may thereafter dispose of or destroy the original of any of the agreements, correspondence or other communications. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. Notwithstanding any Applicable Law to the contrary, any electronic version of this Agreement or any other agreements, correspondence or other communications between the Parties will have the same legal effect, validity and enforceability as an original of any document, even if the original of the document has been disposed of or intentionally destroyed.

13.15 **Business Judgment**. Notwithstanding any provision in this Agreement to the contrary, Area Developer and the Owners acknowledge and agree that:

13.15.1 This Agreement (and the relationship of the Parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the explicit rights and obligations of Area Developer and the Owners hereunder that may affect Area Developer and the Owners' interests favorably or adversely. Franchisor shall use its Business Judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the Pet Depot® System and other Pet Depot® developers, Pet Depot® stores generally, and specifically without considering the individual interests of Area Developer or the Owners or the individual interests of any other Pet Depot® developer. Area Developer and the Owners acknowledge and agree that Franchisor shall have no liability to Area Developer or the Owners for the exercise of its discretion in this manner; and even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion. If Franchisor takes any action or Franchisor chooses not to take any action in its discretion with regard to any matter related to this Agreement and its actions or inaction are challenged for any reason, the Parties expressly direct the trier of fact to find that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

13.15.2 In granting its approval of the Franchised Locations, designating suppliers, setting standards and the like, Franchisor shall exercise its Business Judgment. However, in the exercise of its Business Judgment, Franchisor shall not be liable to Area Developer or the Owners or anyone else, if Franchisor's exercise of its Business Judgment results in a business loss or if the products or services

provided fail to meet the expectations of Franchisor, Area Developer, the Owners or other parties. Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which Area Developer uses, purchases, retains or hires pursuant to Franchisor's exercise of its Business Judgment.

13.16 **Atypical Arrangements**. Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other Pet Depot® developers and franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. Developer further acknowledges and agrees that Franchisor has made no warranty or representation that all Area Development Agreements or Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other Pet Depot® developers and franchisees in a non-uniform manner.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

LABRADOR FRANCHISES, INC.,
A California corporation

By: _____
Name: _____
Title: _____

DEVELOPER:

_____

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By: _____
Name:_____
Title: _____

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT A
DEVELOPMENT SCHEDULE
MINIMUM DEVELOPMENT OBLIGATION

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT A
DEVELOPMENT SCHEDULE
MINIMUM DEVELOPMENT OBLIGATION

Developer's Date of Execution of Franchise Agreement	**Date of Franchised Business Opening**	**Development Fee**	**Initial Franchise Fee (after 20% discount for the second and each additional Franchised Business)**
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By: _____
Name: _____
Title: _____

DEVELOPER:

_____

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By: _____
Name:_____
Title: _____

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT B
DEVELOPMENT AREA

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT C

CURRENT FORM OF
LABRADOR FRANCHISES, INC.
FRANCHISE AGREEMENT

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT D

GUARANTEE

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT D
GUARANTEE

As an inducement to Labrador Franchises, Inc. ("**Franchisor**") to execute the Area Development Agreement (the "**Development Agreement**") with _____ _____ ("**Developer**") dated _____, 20__, and in consideration of Franchisor's execution of the Development Agreement, _____ ("**Guarantors**"), hereby grant this guarantee ("**Guarantee**") and agree as follows:

A. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Developer under the Development Agreement on the days and times in the manner therein appointed for payment thereof.

B. Guarantors shall unconditionally and fully guarantee full performance and discharge by Developer of all the obligations of Developer under the Development Agreement at the times and in the manner therein provided.

C. Guarantors shall indemnify and hold Franchisor harmless and its affiliates against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur, or become liable for by reason of: (1) the failure for any reason whatsoever of Developer to pay the monies payable pursuant to the Development Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Development Agreement, or (2) any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Developer of any other act, matter or thing pursuant to the provisions of the Development Agreement.

D. Franchisor shall not be obligated to proceed against Developer or exhaust any security from Developer or pursue or exhaust any remedy, including any legal or equitable relief against Developer, before proceeding to enforce the obligations of Guarantors under this Guarantee, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Developer under the Development Agreement.

E. Without affecting Guarantors' obligations under this Guarantee, Franchisor, without notice to Guarantors, may extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. Guarantors waive notice of amendment of the Development Agreement and notice of demand for payment or performance by Developer.

F. Guarantors' obligations under this Guarantee shall remain in full force and effect, and shall be unaffected by: (1) the unenforceability of the Franchise Agreement against Developer; (2) the termination of any obligations of Developer under the Development Agreement by operation of law or otherwise; (3) the bankruptcy, insolvency, dissolution, or other liquidation of Developer, including, without limitation, any surrender or disclaimer of the Development Agreement by the trustee in bankruptcy of Developer; (4) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Developer, or by the winding-up or dissolution of Developer, or any other event or occurrence which would have the effect at law of terminating the existence of Developer's obligations prior

to the termination of the Development Agreement; or (5) by any other agreements or other dealings between Franchisor and Developer having the effect of amending or altering the Development Agreement or Developer's obligations under this Guarantee, or by any want of notice by Franchisor to Developer of any Default of Developer or by any other matter, thing, act, or omission of Franchisor whatsoever.

G. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained herein, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

H. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

I. This Guarantee shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this Section I is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

J. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Area Development Agreement.

K. Notice to Guarantors shall be given as follows:

_____
_____
_____

IN WITNESS WHEREOF, the undersigned has signed this Guarantee as of the day and year set forth below.

GUARANTOR

_____ Date: _____

GUARANTOR

_____ Date: _____

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT E
STATE SPECIFIC AMENDMENT

[AS REQUIRED]

LABRADOR FRANCHISES, INC.
AREA DEVELOPMENT AGREEMENT

ATTACHMENT F

ENTITY INFORMATION

ATTACHMENT F
ENTITY INFORMATION

If Developer is an entity, Developer represents and warrants that the following information is accurate and complete in all material respects:

(1) Developer is a (check as applicable):

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): _____

State of incorporation/organization: _____

Name of Developer entity: _____

(2) Developer shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ("Entity Documents").

(3) Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer.

(4) The name and address of each of Developer's Owners, members, or general and limited partner:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) There is set forth below the names, and addresses and titles of Developer's principal officers or partners who will be devoting their full time to the Business:

NAME	ADDRESS

(6) The address where Developer's Financial Records, and Entity Documents are maintained is: _____.

(7) Developer desires to obtain certain development rights to develop Pet Depot® Stores under the System which use the Proprietary Marks and wishes to obtain franchises from Franchisor for that purpose. Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of this Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Developer shall provide Franchisor with all additional information Franchisor may request with respect to the partners, shareholders and members of Developer and the ownership of Developer upon demand by Franchisor. In addition, Developer shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Developer to be true, correct and complete in all material respects. Franchisor grants Developer the rights in the Development Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By: _____
Name: _____
Title: _____

DEVELOPER:

_____

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By: _____
Name:_____
Title: _____

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
LEASE ASSIGNMENT AGREEMENT

LABRADOR FRANCHISES, INC.

LEASE ASSIGNMENT AGREEMENT

LABRADOR FRANCHISES, INC.
LEASE ASSIGNMENT AGREEMENT

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LABRADOR FRANCHISES, INC.
LEASE ASSIGNMENT AGREEMENT

THIS LEASE ASSIGNMENT **AGREEMENT** (this "**Agreement**") is made this ____ day of _____, 20__, by and between _____ a _____ ("**Assignor**"), _____ ("**Landlord**") and **LABRADOR FRANCHISES, INC.**, a California corporation ("**Assignee**"), with reference to the following facts:

A. On _____, 20__, Landlord, as landlord, and Assignor, as tenant, entered into a Lease (the "**Lease**") for the premises located at _____ (the "**Franchised Location**") pursuant to which Assignor leased the Franchised Location from Landlord for the purpose of operating a franchised Pet Depot® store (the "**Franchised Unit**") at the Franchised Location.

B. On _____, 20__, Assignee, as franchisor, and Assignor, as franchisee, entered into a Franchise Agreement (the "**Franchise Agreement**") pursuant to which Assignor agreed to operate the Franchised Unit at the Franchised Location as a franchisee of Assignee in accordance with the terms and conditions of the Franchise Agreement.

C. Assignor, Assignee and Landlord desire to enter into this Agreement to define the rights of Assignee in and to the Franchised Location and to protect the interests of Assignee with respect to the continued operation of a Pet Depot® at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS**

The Recitals set forth in Paragraphs A through C of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement.

2. **OPTION**

Franchisee does hereby grant to Assignee an option, exercisable at any time within thirty (30) days after Assignee's receipt of actual notice of the occurrence of any of the events described in Paragraphs 3(a) - 3(g) of this Agreement (the "**Option**"), to obtain an assignment of the obligations of Franchisee under the Lease to Assignee (the "**Assignment**").

3. **ONLY EFFECTIVE UPON EXERCISE OF OPTION**

This Agreement shall be effective upon the date hereof; however, the Assignment shall only become effective if, and when, Assignee expressly exercises the Option in writing after the occurrence of one or more of the following events:

a. **Franchise Agreement**. The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement.

b. **Lease**. The occurrence of (i) any acts which would result in the termination or merger of the Lease; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease.

c. **Sale of Franchised Unit**. If Franchisee, without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Franchised Unit, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Franchised Unit; or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Assignee under this Agreement.

d. **Failure to Exercise Option to Renew or Extend**. If Franchisee shall fail to exercise any option to renew or extend the term of the Lease.

e. **Insolvency**. If Franchisee (i) is adjudicated insolvent, or makes an assignment for the benefit of creditors; or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee, or similar officer for it or for all or any substantial part of its property; or (iii) if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days.

f. **Bankruptcy**. If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days.

g. **Purchase of Franchised Location**. If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord.

Franchisee and Landlord shall each provide Assignee and Franchisor with independent and separate written notice of the occurrence of any of the events described in Paragraphs 3(a)-3(g) of this Agreement.

4. **CONSENT TO ASSIGNMENT**

Landlord hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Landlord, nor shall the Franchised Location be sublet by Franchisee with the consent of Landlord, without the prior written consent of Assignee.

5. **EXERCISE OF OPTION BY ASSIGNEE**

Assignee shall exercise the Option by giving written notice to Franchisee and Landlord of its affirmative election to do so within thirty (30) days after Assignee's receipt of actual notice of the occurrence of any of the events described in Paragraphs 3(a)-3(g) of this Agreement.

a. **Cure Defaults**. If Assignee exercises the Option, Franchisee, Assignee, or its franchisee-assignee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Assignee or its franchisee-assignee is put into actual possession of the Franchised Unit. The period of time to cure all defaults of Franchisee under the Lease shall be reasonably and appropriately extended by Landlord beyond the cure period provided to Franchisee under the Lease.

b. **Assignment of Rights**. Assignee shall have the right, concurrently with or subsequent to Assignee's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Assignee without the prior consent of Landlord. In the event of such an assignment or transfer, the Assignee's affiliate-assignee or franchisee-assignee shall obtain the Assignment in place and instead of Assignee.

c. **Indemnification by Assignor**. Franchisee agrees to pay and reimburse Assignee and to hold Assignee harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Assignee in connection with the enforcement of Assignee's rights and/or the performance of Assignee's rights or obligations under this Agreement. Assignee's exercise of the Option shall not release Franchisee from any liability to Landlord or Assignee for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Assignee or Landlord as a result of Franchisee's defaults or actions under Paragraphs 3(a)-3(g) of this Agreement.

6. **TERM OF AGREEMENT**

This Agreement shall terminate upon the termination of the Lease with the written consent of Assignee.

7. **TERMINATION OF LEASE AND FRANCHISE AGREEMENT**.

a. **Termination of Lease**. If, and only if, Assignee exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Paragraph 3(d) of this Agreement, following Assignee's exercise of the Option, Landlord shall enter into a new lease for the Franchised Location with Assignee, or its assignee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.

b. **Termination of Franchise Agreement**. Upon Assignee's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Assignee and Assignee shall be entitled to, and Franchisee shall provide Assignee with, immediate possession of the Franchised Location and Franchisee shall no longer be entitled to the use or occupancy of the Franchised Unit or the Franchised Location, all of Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Assignee. Assignee shall have the right to manage and operate the Franchised Unit at the Franchised Location immediately upon its exercise of the Option.

c. **De-Identification of Franchised Unit**. If Assignee does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Assignee shall have the right to enter the Franchised Unit and the Franchised Location to remove and modify to Assignee's satisfaction all distinctive

design features and characteristics of the Franchised Unit and the Franchised Location, including distinctive interior designs and surface materials and refrigeration equipment, display fixtures, color décor and interior and exterior signs and all other items identifying the Franchised Unit and the Franchised Location as a Pet Depot store.

8. **RESTRICTIONS ON TRANSFER**

This Agreement may not be assigned by Franchisee without the prior written consent of Assignee. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Franchised Unit, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Assignee and shall provide Assignee with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9. **POWER OF ATTORNEY**

Franchisee hereby irrevocably appoints Assignee as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Assignee under this appointment.

10. **GENERAL PROVISIONS**

a. **Governing Law**. This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

b. **Notices**. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail, by private overnight delivery or by electronic transmission. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (iii) upon the earlier of actual receipt or three (3) business days after deposit in the United States mail, properly addressed and postage prepaid, Return Receipt Requested, if served by Certified Mail; (iv) twenty-four (24) hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; or (v) one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail).

Any notice or demand to Assignor shall be given to:

_____
_____
_____
Fax: _____

Any notice or demand to Assignee shall be given to:

Labrador Franchises, Inc.
1941 Foothill Boulevard, Suite A
La Verne, California 91750
Fax: 626-335-4867
Attention: President

Any notice or demand to Landlord shall be given to:

_____
_____
_____
_____
Fax: _____

Any party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

c. **Waivers**. The delay, omission or forbearance by Assignee to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Assignee shall not be deemed to be a waiver of any preceding breach or default by Assignor other than its failure to pay the particular payment so accepted, regardless of Assignee's knowledge of such preceding breach or default at the time of acceptance of such payment.

d. **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

e. **Modification**. This Agreement may be modified only by a writing executed by the party sought to be bound.

f. **Entire Agreement**. This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled.

g. **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law.

h. **Captions**. The various titles of the Paragraphs in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, paragraph, or subparagraph of this Agreement.

i. **Gender**. All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

j. **Successors**. This Agreement shall be binding upon all of the parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns.

k. **Severability**. The invalidity of any one or more of the provisions contained in this Agreement as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

l. **Additional Documents**. Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

m. **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ASSIGNOR:

_____
_____

ASSIGNEE:

LABRADOR FRANCHISES, INC.
A California corporation

By: _____
Its: _____

LANDLORD:

By: _____
Its: _____

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F
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PET DEPOT
Natural PET FOOD HEADQUARTERS℠

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Extra Section PET DEPOT Employee Manual (California Edition) **32 Pages**

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES OF FRANCHISEE

LABRADOR FRANCHISES, INC.

NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

FOR EMPLOYEES OF FRANCHISEE

LABRADOR FRANCHISES, INC.

EMPLOYEE NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS EMPLOYEE NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT is made this _____ day of _____, 20____ (the "**Effective Date**"), by and between _____ ("**Franchisee**"), on the one hand, and _____ ("**Recipient**"), on the other hand, with reference to the following facts:

A. Labrador Franchises, Inc., a California corporation ("**Franchisor**") has, as the result of the expenditure of extensive time, skill, effort and money, developed a distinctive system (the "**Pet Depot System**") for the operation of six (6) different types of owner operated pet care businesses that offer pet food, pet supplies, pets for sale, veterinary services, grooming services, and other related services to the general public (the "**Pet Depot Business**"). The Pet Depot System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the marks "**PET DEPOT**", "**KATIE'S PET DEPOT**", "**WHERE ANIMALS COME FIRST**", "**DOGGIE TUNEUP**", and "**Upgrade your Pet's Life**" and other trade names, service marks, and trademarks now designated and that may hereafter be designated by Franchisor for use in connection with the Pet Depot System in the operation of Pet Depot Businesses (the **"Proprietary Marks"**).

B. The distinguishing characteristics of the Pet Depot System include, without limitation, Franchisor's trade secrets and proprietary information (the "**Proprietary Products**"); operating methods and business practices; the relationship between Franchisor and its franchisees; distinctive exterior and interior design, décor, color scheme, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards; specifications and procedures for operations; procedures for inventory and management control; training and assistance; advertising and promotional programs; Franchisor's websites, Franchisor specified pricing; restrictions on ownership; standard operating and administrative procedures; management and technical training programs; all of which may be changed, improved, and further developed by Franchisor from time to time. Franchisor continues to invest time, skill, effort and money to further develop, test and use the Pet Depot Businesses, the Propriety Products, the Confidential Information and the Pet Depot System in order to maintain the Pet Depot System's high standards of quality, skill and service.

C. The Pet Depot System is comprised of confidential information, including, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of

operation of the Pet Depot Business which may be communicated to Recipient, or of which Recipient may be apprised, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**").

D. Franchisor has and continues to protect the Confidential Information by, among other things, (i) not revealing the contents of the Confidential Information to unauthorized parties; (ii) requiring Pet Depot franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring Pet Depot franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

E. Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a Pet Depot Business and to use the Pet Depot System, the Proprietary Marks and the Confidential Information in the operation of the Pet Depot Business.

F. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisorial and managerial personnel employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement from all supervisorial and managerial personnel employed by Franchisee and each independent contractor to not to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

NOW, THEREFORE, IT IS AGREED:

1. **ACKNOWLEDGMENTS OF RECIPIENT**.

1.1 **No Prior Experience, Information or Knowledge**. Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge whatsoever about operating a pet care business offering pet food, pet supplies, pets for sale, veterinary services, grooming services, and/or other related services. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 **Confidential Information**. The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, all tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, recipes, cooking techniques and methods, sources of materials and equipment, customer management and

other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Pet Depot System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Recipient. Confidential Information does not include any information that was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisee to Recipient; is or becomes generally available to the public by acts other than those of Recipient after receiving it; has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor, Franchisee or Recipient; or is shown by acceptable evidence to have been independently developed by Recipient.

1.3 **Independent Value**. The Confidential Information (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee; (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

1.4 **Valuable and Proprietary Information**. The Confidential Information has been developed by Franchisor, its founder and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates.

2. **COVENANTS OF RECIPIENT**.

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1 **Maintain Confidentiality**. Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisorial or managerial employee or independent contractor of Franchisee and will then do so only to

the degree necessary to carry out Recipient's duties as a supervisorial or managerial employee or independent contractor of Franchisee.

2.2 **No Reproduction or Use**. Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisorial or managerial employee or independent contractor of Franchisee.

2.3 **Restrictions**. Recipient acknowledges and agrees that Recipient may receive valuable specialized training and Confidential Information while employed or engaged by Franchisee and further agrees:

2.3.1 Recipient will not, while employed or engaged by Franchisee, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any other person or entity (i) divert or attempt to divert any present or prospective Pet Depot Business customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the Pet Depot System; or (ii) own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to the Pet Depot Business which offers pet food, pet supplies, pets for sale, veterinary services, grooming services, and other related services in a manner similar to the Pet Depot System.

2.3.2 Recipient will not, for a three (3) year period following the date that Recipient is no longer employed or engaged by Franchisee, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any other person or entity (i) divert or attempt to divert any present or prospective Pet Depot Business customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the Pet Depot System; or (ii) own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, business that is the same or similar to the Pet Depot Business which offers pet food, pet supplies, pets for sale, veterinary services, grooming services, and other related services in a manner similar to the Pet Depot System.

2.4 **Third-Party Beneficiary**. Franchisor is, and shall be and remain, a third-party beneficiary of this Agreement and shall have the independent right to enforce the terms of this Agreement.

2.5 **Improvements**. Recipient acknowledges and agrees that the products of his or her labor as a Franchisee employee shall belong solely to Franchisor. Recipient hereby assigns to Franchisor all of his or her rights that Recipient may have to any inventions, works of authorship, developments, improvements, or trade secrets that Recipient may develop during the course of his or her employment. Recipient understands and agrees that all works of authorship to which Recipient contributes during his or her employment shall be considered "works made for hire" and shall be the sole property of the Franchisor. Recipient will keep adequate records of all inventions and works of authorship to which Recipient contributed during his or her employment, and will make such records available to Franchisor on request. Recipient will cooperate with Franchisor and do whatever is necessary or appropriate to obtain patents, copyrights, or other legal protection on projects to which Recipient contributed, and if Recipient is incapacitated for any reason from doing so, Recipient hereby authorizes Franchisor to act as Recipient's agent and to take whatever action is

needed on Recipient's part to carry out this Agreement. Upon termination of Recipient's employment for any reason, Recipient will immediately assemble all property of Franchisor in Recipient's possession or under Recipient's control, and return it unconditionally to Franchisor.

2.6 **No Restriction**. Nothing in this Article 2 is intended to prohibit or restrict any activity which prohibition or restriction violates Recipient's rights to engage in protected concerted activity under the National Labor Relations Act.

3. **GENERAL TERMS**.

3.1 **Injunction**. Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Pet Depot System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2 **Heirs and Successors; Entire Agreement**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.3 **No Right to Use Proprietary Marks or Pet Depot System**. This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.4 **Waiver and Validity**. Failure by Franchisor or Franchisee to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 **Headings and Gender**. The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6 **Attorneys' Fees**. If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any party to this Agreement commences any legal proceeding against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

3.7 **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8 **Notices**. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail); or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to:

_____
_____
_____
Fax: _____

With a copy to:

Labrador Franchises, Inc.
1941 Foothill Boulevard, Suite A
La Verne, California 91750
Fax: 626-335-4867
Attention: President

Any notice or demand to Recipient shall be given to:

_____
_____
_____
Fax: _____

Any party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.9 **Counterparts Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by

the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

FRANCHISEE:

_____
A _____

By: _____
Name: _____
Title:_____

RECIPIENT:

_____

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
FRANCHISE CANDIDATE CONFIDENTIALITY AGREEMENT

LABRADOR FRANCHISES, INC.

CONFIDENTIALITY AGREEMENT

LABRADOR FRANCHISES, INC.
CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (this "**Agreement**") is made and entered into on _____, by and between **LABRADOR FRANCHISES, INC.,** a California corporation ("**Franchisor**"), and _____ ("**Candidate**") with reference to the following facts:

A. Franchisor owns the Pet Depot® trade name and service mark, as well as in other trademarks, service marks, logos and commercial symbols which identify and are used in connection with the development, operation and marketing of Pet Depot® stores (the "**Proprietary Marks**").

B. Franchisor owns and has the perpetual license to use and sublicense certain business methods for the development and operation of retail pet stores and animal hospitals featuring pet food, pet supplies, pets for sale, veterinary services, grooming services and other related services to the general public. These business methods include, without limitation, all aspects of developing, operating and marketing Pet Depot® Stores, the relationship between Franchisor and its franchisees; distinctive signs and store design specifications; interior and exterior imaging requirements; uniform operating, merchandising and marketing methods; Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training; mandatory products and supplies, including products which are specially formulated or branded for Franchisor; and confidential information and trade secrets. These business methods encompass all aspects of developing, operating and marketing Pet Depot® Businesses and are referred to in this Agreement as the "**System**."

C. Franchisor may provide Candidate with confidential and proprietary information regarding the Proprietary Marks and the System prior to granting or declining to grant Candidate a franchise, or entering into a franchise agreement with Candidate. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS**.

The recitals set forth in Paragraphs A through C above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY**.

Candidate acknowledges and agrees:

2.1 **Confidential Information**. That Candidate's knowledge of the elements of the System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any and all confidential and/or proprietary knowledge, data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as "**Confidential Information**". By way of illustration, but not limitation, "**Confidential Information**" includes tangible and intangible information (whether or not in

electronic form) relating to Franchisor's business operations, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, know-how, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators and customers, current customer and prospective customer names and addresses, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationship between Franchisor and other companies, persons or entities, the System and the Proprietary Marks (all as they may be defined herein or in any Franchise Agreement between Franchisor and Candidate) and any other information or material considered proprietary by Franchisor, whether or not designated as Confidential Information by Franchisor but that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor and which is subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy or any other information in oral, written, graphic or electronic form which, given the circumstances surrounding such disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above-described items may be combined with other information or products or synthesized or used by Candidate. Confidential Information does not include any information which: (a) was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; (b) is or becomes generally available to the public by acts other than those of Candidate after receiving it; (c) has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor; or (d) is shown by acceptable evidence to have been independently developed by Candidate.

2.2 **Value**. That the Confidential Information has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

2.3 **Proprietary**. That the Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its affiliates.

2.4 **Maintain Confidentiality**. That Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege.

2.5 **Reproduction and Use**. That Candidate will not directly or indirectly reproduce or copy any Confidential Information or any part thereof and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. **GENERAL**.

3.1 **Injunction**. Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2 **Heirs and Successors**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3 **Entire Agreement**. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4 **No Warranties**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the franchised business, that Candidate has been informed by Franchisor that there can be no guaranty of success in the franchised business and that Candidate's business ability and aptitude is primary in determining his success.

3.5 **No Right to Use Proprietary Marks or System**. This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.6 **Waiver**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7 **Validity**. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8 **Headings and Gender**. The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9 **Attorneys' Fees**. If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either party commences a legal proceeding against the other party arising out of or in

connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

3.10 **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.11 **Notices**. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisor shall be given to:

Labrador Franchises, Inc.
1941 Foothill Boulevard, Suite A
La Verne, California 91750
Fax: 626-335-4867
Attention: President

With a copy (which shall not constitute notice) to:

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

Any notice or demand to Candidate shall be given to:

_____
_____
_____
Fax: _____

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.12 **Courts of California**. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the state and county in which Franchisor has its headquarters at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Los Angeles, and the United States District Court of the Central District of California are, respectively, the state and federal courts that are located closest to Franchisor's headquarters; however, the parties further acknowledge that Franchisor may relocate its headquarters in its discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts selected pursuant to this paragraph.

3.13 **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first shown above.

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By:_____
Name:_____
Title: _____

CANDIDATE:

_____,

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By:_____
Its: _____, and individually

CANDIDATE:

_____,

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

By:_____
Its: _____, and individually

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I
FINANCIAL STATEMENTS

LABRADOR FRANCHISES, INC.
DBA PET DEPOT

FINANCIAL STATEMENTS

December 31, 2020, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LABRADOR FRANCHISES, INC.
DBA PET DEPOT
La Verne, California

We have audited the accompanying financial statements of Labrador Franchises, Inc. dba Pet Depot (a California corporation) (the "Company"), which comprise the balance sheets as of December 31, 2020, 2019 and 2018, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Labrador Franchises, Inc. dba Pet Depot as of December 31, 2020, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Company adopted ASU 2014 09, *Revenue from Contracts with Customers* . Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

GTL, LLP

Sherman Oaks, California
April 27, 2021

LABRADOR FRANCISES, INC.

DBA PET DEPOT

Balance Sheets

December 31, 2020, 2019 and 2018

	2020	2019	2018
ASSETS			
Current Assets			
Cash	$ 214,216	$ 68,151	$ 73,696
Prepaid franchise expense	-	-	12,987
Prepaid income taxes	-	955	-
Current portion of deferred commissions	6,700	6,700	-
Total Current Assets	220,916	75,806	86,683
Property and Equipment, net	37,177	47,297	59,261
Other Assets			
Deferred income taxes	14,542	41,403	23,940
Due from related party	343,338	340,977	250,703
Deferred commissions, net of current portion	12,350	19,050	-
Total Other Assets	370,230	401,430	274,643
Total Assets	$ 628,323	$ 524,533	$ 420,587

The accompanying notes are an integral part of these financial statements.

LABRADOR FRANCHISES, INC.
DBA PET DEPOT
Balance Sheets
December 31, 2020, 2019 and 2018

	2020	2019	2018
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Line of credit	$ 80,247	$ 92,838	$ 43,014
Notes payable, current portion	17,342	15,201	-
Accounts payable and accrued expenses	4,698	103,297	69,489
Total Current Liabilities	102,287	211,336	112,503
Long-term Liabilities			
Due to officer	300	11,055	10,836
Deferred franchise fee	40,000	-	-
Notes payable, net of current portion	13,745	30,170	-
Total long-term Liabilities	54,045	41,225	10,836
Total Liabilities	156,332	252,561	123,339
Commitment and Contingencies (Notes 2 and 7)			
Stockholders' Equity			
Common stock, 100,000 shares authorized;			
85,000 shares issued and outstanding	95,000	95,000	95,000
Retained earnings	376,991	176,972	202,248
Total Stockholders' Equity	471,991	271,972	297,248
Total Liabilities and Stockholders' Equity	$ 628,323	$ 524,533	$ 420,587

The accompanying notes are an integral part of these financial statements.

LABRADOR FRANCHISES, INC.

DBA PET DEPOT

Statements of Income

For the Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Revenues	$ 1,030,177	$ 731,955	$ 719,665
Operating Expenses	-	-	-
Selling	553,008	452,936	483,164
General and administrative	317,697	334,419	265,792
Total Operating Expenses	870,705	787,355	748,956
Income (Loss) from Operations	159,472	(55,400)	(29,291)
Other Income (Expense)	-	-	-
Interest expense	(9,395)	(8,714)	(3,427)
Loss on disposal of property and equipment	0	(1,189)	-
PPP loan forgiveness	92,203	-	-
Total Other Income (Expense)	82,808	(9,903)	(3,427)
Income (Loss) before Income Taxes (Benefit)	242,280	(65,303)	(32,718)
Income Taxes (Benefit)	42,261	(7,577)	(7,320)
Net Income (Loss)	$ 200,019	$ (57,726)	$ (25,398)

The accompanying notes are an integral part of these financial statements.

LABRADOR FRANCHISES, INC.
DBA PET DEPOT
Statements of Stockholders' Equity
For the Years Ended December 31, 2020, 2019 and 2018

	Common Stock		Retained	
	Shares	Amount	Earnings	Total
Balance December 31, 2017	85,000	$ 95,000	$ 227,646	$ 322,656
Net loss	-	-	(25,398)	(25,398)
Balance December 31, 2018	85,000	95,000	202,248	297,248
Impact of ASC 606 adoption (Note 2)	-	-	32,450	32,450
Net loss	-	-	(57,726)	(57,726)
Balance December 31, 2019	85,000	95,000	176,972	271,972
Net income			200,019	200,019
Balance December 31, 2020	85,000	$ 95,000	$ 376,991	$ 471,991

The accompanying notes are an integral part of these financial statements.

LABRADOR FRANCHISES, INC.

DBA PET DEPOT

Statements of Cash Flows

For the Year Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Cash flows from operating activities			
Net income (loss)	$ 200,019	$ (57,726)	$ (25,398)
Adjustments to reconcile net income (loss) to net cash provided by (used-in) operating activities			
Depreciation and amortization	10,775	10,775	10,775
Deferred commission expense	6,700	6,700	-
Loss on disposal of property and equipment	-	1,189	-
Deferred income taxes	26,861	(17,463)	(23,940)
Changes in operating assets and liabilities			
Prepaid franchise expense	-	12,987	(12,987)
Prepaid income taxes	955	(955)	1,553
Accounts payable and accrued expenses	(98,599)	33,808	64,368
Deferred franchise fee	40,000	-	-
Net cash provided by (used-in) operating activities	186,711	(10,685)	14,371
Cash flows from Investing activities			
Purchases of property and equipment	(635)	-	-
Net advances (to) from related party	(2,361)	(90,274)	20,558
Net cash provided by (used-in) investing activities	(2,996)	(90,274)	20,558
Cash flows from financing activities			
Net decrease (increase) in line of credit	(12,591)	49,824	(10,686)
Net proceeds from note payable	1,261	45,371	-
Payments on notes payable	(15,565)	-	-
Due to officer	(10,755)	219	10,836
Net cash provided by (used-in) financing activities	(37,650)	95,414	150
Net increase (decrease) in cash	146,065	(5,545)	(6,037)
Cash, beginning of period	68,151	73,696	79,733
Cash, end of period	$ 214,216	$ 68,151	$ 73,696

The accompanying notes are an integral part of these financial statements.

LABRADOR FRANCHISES, INC.
DBA PET DEPOT
Statements of Cash Flows
For the Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Supplemental Disclosures of Cash Flows Information			
Cash paid during the year for			
Interest	$ 9,395	$ 8,714	$ 34,127
Income taxes	$ 10,701	$ 9,886	$ 16,620

The accompanying notes are an integral part of these financial statements.

LABRADOR FRANCHISES, INC.

DBA PET DEPOT

Notes to Financial Statements

December 31, 2020, 2019 and 2018

1. NATURE OF OPERATIONS

Labrador Franchises, Inc. dba Pet Depot (the "Company") was founded and incorporated on December 18, 2001. The Company operates as a franchise corporation supporting franchisees of Pet Depot stores in the business of pet supplies, pet grooming and veterinary services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the Unites States of America ("U.S. GAAP").

(b) Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014 09, Revenue from Contracts with Customers (Topic 606) (codified as ASC 606), which, along with subsequent amendments issued after May 2014, replaced substantially all of the relevant U.S. GAAP revenue recognition guidance. ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services utilizing a new five step revenue recognition model, which steps include (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

On January 1, 2019, the Company adopted ASC 606, as amended, to all contracts that had not been completed as of January 1, 2019 using the modified retrospective method. Accordingly, results for the reporting period beginning after January 1, 2019 are presented in accordance with ASC 606, while prior period amounts have not been adjusted and continue to be reported under the accounting standards that were in effect for the prior periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(b) Change in Accounting Principle (Continued)

The cumulative effect of adopting ASC 606 resulted in a one time adjustment of $32,450 to the opening balance of retained earnings which is reflected in the accompanying statements of stockholders' equity for the fiscal year ended December 31, 2019. The cumulative effect adjustment relates to the recognition of revenue and related costs for customer contracts that transfer goods or services over time. Under ASC 606, the timing of the recognition of revenue and the related cost of revenue associated with goods or services provided to customers with no alternative use are recognized over time utilizing an input method that compares the cost of cumulative work in process to date to the most current estimates for the entire cost of the performance obligation. By contrast, in the prior periods, revenue and the related costs were recognized upon completion of the performance obligation in accordance with accounting standards that were in effect in the prior periods. Under these customer contracts the customer retains control of the product as it is being created or enhanced by the Company's services and/or the Company is entitled to compensation for progress to date that includes an element of profit margin.

Opening balance adjustment consisted of the following:

Retained earnings, December 31, 2018 as previously reported	$	202,248
Deferred commissions expense ASC 606 impact		32,450
Retained earnings, December 31, 2018 as adjusted	$	234,698

(c) Store Franchise Agreements

At December 31, 2019, there were 29 franchise agreements representing opened stores held by the Company in California and several other states for terms of up to 10 years as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Store Franchise Agreements (continued)

	2020	2019	2018
Balance, beginning of year	29	28	31
New agreements	1	1	-
Terminated agreements	(1)	-	(1)
Cancelled agreements	-	-	(2)
Balance, end of year	29	29	28

Of the 30 locations at December 31, 2020, one location remains unopened. There were no unopened locations in 2019 or 2018. In addition to the franchise store locations, eight franchise locations included veterinary offices. These veterinary offices are included under the same franchise agreement, but are operated independently of the store franchise location.

The Company began selling franchise agreements in December 2001. The franchisees pay initial franchise fees to the Company for the right to own and operate a Pet Depot store. The Company is obligated to provide training, an operations manual and other initial and continuing services. Franchisees pay a continuing royalty fee of up to 5% based on gross sales. Franchisees also pay a marketing start up fee and a minimum continuing advertising fee of 2% based on gross sales.

The franchise agreements provide for, among other items, required duties of the franchisor and franchisee and also provide remedies for both in case either duty is breached.

(d) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(e) Cash Equivalents

The Company considers financial instruments with original maturities of 90 days or less to be cash equivalents. There were no cash equivalents at December 31, 2020, 2019 or 2018.

(f) Property and Equipment

Property and equipment is carried at cost. Depreciation of office equipment is computed using the straight line method over three to seven year lives. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the lease term.

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated or amortized over the estimated useful lives of the related assets.

(g) Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. If no such event or circumstance occurs, management reviews each asset or asset group at least annually. No impairment provisions were recorded by the Company during the years ended December 31, 2020, 2019 or 2018.

(h) Concentrations

Occasionally the Company's bank balances exceed the FDIC insured limits. The Company has not experienced and does not anticipate any losses related to these balances.

(i) Revenue Recognition

Franchise fees revenue from sales of individual franchises are recognized over the term of the agreement. Revenues from area developer agreements are recognized upon satisfaction of performance obligations. Both revenue streams are recognized in accordance with ASC 606.

Royalty fees are charged up to 5% of gross sales on a weekly basis. Additionally, franchisees contribute 2% of their gross sales to a sales and promotion fund. As previously noted, this fund is accounted for separately from the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(j) Deferred Commissions

Sales commissions related to the sale of certain new franchises are expensed in the same period as the franchise fee revenue and are recognized in accordance with ASC 606.

(k) Income Taxes

Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statement and income tax bases of assets and liabilities which is a result of filing income taxes on the cash basis. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to years in which the differences are expected to reverse. Income tax expense is the tax payable or refundable for the years plus or minus the change during the years in deferred income tax assets and liabilities. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more likely than not to be realized.

(l) Subsequent Events and Emphasis of Matter

The Company has evaluated events subsequent to December 31, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 27, 2021, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements except as noted below:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter-in-place orders and the ultimate impact of the CARES Act and other governmental initiatives. In response, the U.S. Government enacted the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations.

3. PPP LOAN

In April 2020, the Company was approved for a loan in the amount of $93,465 under the Small Business Administration's (SBA's) Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan, with interest at 1%, matures in 2 years from the date of approval. During 2020, $92,203 of this loan was forgiven and the remaining $1,261 is a loan governed under the original terms of approval. See Note 6.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2020	2019	2018
Leasehold improvements	$ 107,623	$ 107,623	$ 107,623
Office equipment	20,845	20,190	21,379
	128,468	127,813	129,002
Accumulated depreciation and amortization	(91,291)	(80,516)	(69,741)
	$ 37,177	$ 47,297	$ 59,261

5. LINE OF CREDIT

The Company maintains a revolving line of credit with a bank that allows for borrowing up to $100,000. Borrowings under this agreement are guaranteed by the stockholders of the Company. The lender can cancel this agreement at any time, at which time all outstanding principal and interest is due. The line of credit bears interest at a monthly variable interest rate based on the Wall Street Journal Prime Rate plus 3.00%. The outstanding balance of this line of credit was $80,247, $92,838 and $43,014 at December 31, 2020, 2019 and 2018, respectively.

6. NOTES PAYABLE

During 2019, the Company secured a note payable from American Express Business Loans for $50,000. The note bears interest at 12.97% per annum with monthly principal and interest payments of $1,684, is guaranteed by the stockholders and matures in August 2022. The summary of notes payable is as follows:

American Express Note Payable	$ 29,826
PPP loan (see Note 3)	1,261
	$ 31,087

The future maturities of the note payable are as follows:

Year ending December 31	
2021	$ 17,342
2022	13,745
	31,087
Current portion	(17,342)
	$ 13,745

7. COMMITMENT

The Company entered into a noncancelable lease with a related party during 2013 with monthly lease payments starting at $11,000 with the lease ending July 2024. The Company subleases part of the space from the related party and is responsible for $1,500 of the monthly lease payments.

The schedule minimum lease payments under the lease terms are as follows:

Year ending December 31	
2021	$ 18,000
2022	18,000
2023	18,000
2024	9,000
	$ 63,000

Rent expense totaled $48,934, $18,000 and $18,868 in 2020, 2019 and 2018, respectively.

8. INCOME TAXES

Income tax expense (benefit) consisted of the following:

	2020	2019	2018
Current			
Federal	$ 11,550	$ 8,246	$ 9,560
State	3,850	1,640	7,060
	15,400	9,886	16,620
Deferred			
Federal	19,966	(12,306)	(15,060)
State	6,895	(5,157)	(8,880)
	26,861	(17,463)	(23,940)
	$ 42,261	$ (7,577)	$ (7,320)

9. RELATED PARTY TRANSACTIONS

(a) Due from related party

The due from related party of $343,338 is due upon demand, unsecured and noninterest bearing. Management believes this amount to be fully collectible. Management anticipates the due from related party will be collected in more than one year and thus presents this as a noncurrent asset.

(b) Due to officer

Due to officer is due upon demand, unsecured and noninterest bearing. Management anticipates the amount due to officer will be collected in more than one year and thus presents this as a noncurrent asset.

(c) Related party revenue

The Company collects royalty fees from a related party that operates as a franchisor in Canada that is a related party. These fees totaled $44,500, $42,500 and $13,500 for the years ended December 31, 2020, 2019 or 2018, respectively.

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
FRANCHISE COMPLIANCE CERTIFICATE

LABRADOR FRANCHISES, INC.

FRANCHISE COMPLIANCE CERTIFICATE

As you know, Labrador Franchises, Inc. ("**Franchisor**") and you ("**you**" or "**Franchise Applicant**") are preparing to enter into a Franchise Agreement for the establishment and operation of a "**Pet Depot**" franchised business. The purpose of this Certificate is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

If you are intending to purchase an existing Pet Depots from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement along with a purchase or transfer of an existing Pet Depot from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____ [date].

3. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____No _____

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____No _____

If No, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

_____
_____
_____

5. Have you received and personally reviewed Franchisor's Franchise Disclosure Document ("FDD")?

Yes _____No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Pet Depot franchised business with an attorney, accountant, or other professional advisor?

Yes _____No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Pet Depot franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____No _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Pet Depot franchised business that is contrary to the information contained in the FDD?

Yes _____No _____

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Pet Depot franchised business that is contrary to the information contained in the FDD?

Yes _____No _____

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue the Pet Depot franchised business will or may generate that is contrary to the information contained in the FDD?

Yes _____No _____

13. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you will or may incur in operating the Pet Depot franchised business that is contrary to the information contained in the FDD?

Yes _____No _____

14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Pet Depot franchised business?

Yes _____No _____

15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support, service, or assistance that we will furnish to you that is contrary to the information contained in the FDD?

Yes _____No _____

16. Have you entered into any binding agreement with us concerning the purchase of this franchise prior to today?

Yes _____No _____

17. Have you paid any money to us concerning the purchase of this franchise prior to today?

Yes _____No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who?

_____
_____
_____

19. Do you understand that the Franchisor may modify the franchise program throughout the term of your agreements?

Yes _____No _____

20. If you have answered "Yes" to any one of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

_____
_____
_____

I (We) signed the Franchise Agreement and Addenda (if any) on _____ [**DATE**], and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Certificate, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist along with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including any broker) as to the likelihood of success of the franchise. Except as contained in the FDD, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including any broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "**None**".

_____
_____
_____

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

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

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

Franchise Applicant understands that Franchisor is acting in reliance on the truthfulness and completeness of Franchise Applicant's responses to the questions above in entering into the Franchise Agreement with Franchise Applicant. FRANCHISE APPLICANT ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS CERTIFICATE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND FRANCHISE APPLICANT HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS CERTIFICATE.

FRANCHISE APPLICANT:

(IF FRANCHISE APPLICANT IS AN INDIVIDUAL):

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISE APPLICANT:

(IF FRANCHISE APPLICANT IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Print Name of Franchise Applicant entity]

By: _____
Name: _____
Title: _____

NOTICE

Any provision of this Certificate which requires you to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law is 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.

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
STATE SPECIFIC ADDENDA

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

California Corporations Code, Section 31125 requires the franchisor 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.

California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. The following language is added to the end of Item 3 of the disclosure document

   "Neither we, nor the Operating Companies, nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange."

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

   "You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids any waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516), and California Business and Professions Code Section 20010 voids any waiver of your rights under the Franchise Relations Act (California Business and Professions Code Sections 20000 through 20043).

   California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Any provisions of the Franchise Agreement that provide for termination upon bankruptcy may be unenforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

Any provisions of the Franchise Agreement that provide for liquidated damages may be unenforceable under California Civil Code Section 1671.

Certain provisions of the Franchise Agreement may be unenforceable if they provide for: (i) a covenant not to compete that extends beyond the termination of the franchise; (ii) a waiver of rights to punitive damages or to a trial by jury; (iii) forum selection or choice of law; or (iv) an interest rate greater than 10% per annum.

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 20050.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The State of California has imposed a financial condition under which the initial franchise fees due will be escrowed until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each Pet Depot business the Franchisee opens under the Area Development Program, the State of California will require that the franchise fees be released proportionally with respect to each Pet Depot business. Mechanics Bank is the approved depositary.

CALIFORNIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _____, by and between Labrador Franchises, Inc., a California corporation, as franchisor ("**Franchisor**"), and _____, as franchisee ("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Franchisee agree that:

   a. They will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022. The purchase price by Franchisor for these assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

   b. For the purposes of Section 20022, Franchisee is not able to provide to Franchisor with "clear title and possession" to Franchisee's Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by franchisee's landlord; or (v) tax liens.

   c. For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or its Affiliates: (i) Royalty Fees; (ii) Marketing Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by Franchisee to Franchisor or its Affiliates.

2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Franchisee agree that:

   a. "**Fair market value of the franchise assets**" means the value of Franchisee's Assets, valued according to the declining-balance method of depreciation. The purchase price by Franchisor for the Assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

   b. "**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 Franchisor within the twelve (12) month period immediately before Franchisor's termination or failure to renew if Franchisor is in violation of the California Franchise Relations Act.

3. The State of California has imposed a financial condition under which the initial franchise fees due will be escrowed until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

(Signature page follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:	**FRANCHISEE**:
Labrador Franchises, Inc. A California corporation	_____ _____
By:_____ Name: Roman Versch Its: President	By: _____ Name: _____ Its: _____
Dated: _____, 20____	Dated: _____, 20____

CALIFORNIA
ADDENDUM TO AREA DEVELOPMENT AGREEMENT

THIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT (this "**Addendum**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _____, by and between Labrador Franchises, Inc., a California corporation, as Franchisor ("**Franchisor**"), and _____, as Area Developer ("**Developer**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Developer agree that:

    a. They will use the declining-balance depreciation method to calculate the value of Developer's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022. The purchase price by Franchisor for these assets will not include the cost of removal and transportation of those assets, which will be Developer's responsibility.

    b. For the purposes of Section 20022, Developer is not able to provide to Franchisor with "clear title and possession" to Developer's Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by Developer's landlord; or (v) tax liens.

    c. For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or its Affiliates: (i) Royalty Fees; (ii) Marketing Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by Developer to Franchisor or its Affiliates.

2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Developer agree that:

    a. "**Fair market value of the franchise assets**" means the value of Developer's Assets, valued according to the declining-balance method of depreciation. The purchase price by Franchisor for the Assets will not include the cost of removal and transportation of those assets, which will be Developer's responsibility.

b. "**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 Developer to Franchisor within the twelve (12) month period immediately before Franchisor's termination or failure to renew if Franchisor is in violation of the California Franchise Relations Act.3.

The State of California has imposed a financial condition under which the initial franchise fees due will be escrowed until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each Pet Depot business the Franchisee opens under the Area Development Program, the State of California will require that the franchise fees be released proportionally with respect to each Pet Depot business.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:	**AREA DEVELOPER**:
Labrador Franchises, Inc. A California corporation	_____ _____
By: _____ Name: Roman Versch Its: President	By: _____ Name: _____ Its: _____
Dated: _____, 20____	Dated: _____, 20____

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L
LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020*

Store Name	Franchisee(S)	Store Phone	Store Address	City	State	Zip	Co	Store Email
Market Street PET DEPOT	Dr. Bruce Vernon, Cherryl Vernon	(480) 868-2444	2979 S. Market Street	Gilbert	AZ	85295	USA	marketstreet@petdepot.net
PET DEPOT Vet Group (Market Street)	Dr. Bruce Vernon, Cherryl Vernon	(480) 868-2446	2979 S. Market Street	Gilbert	AZ	85295	USA	marketstreet@petdepotvetgroup.com
Katie's PET DEPOT (La Verne)	Roman & Edie Versch	(909) 392-9552	1941 Foothill Blvd.	La Verne	CA	91750	USA	katies4@petdepot.net
PET DEPOT Vet Group (La Verne)	Roman & Edie Versch	(909) 392-7799	1941 Foothill Blvd.	La Verne	CA	91750	USA	pdlaverne@petdepotvetgroup.com
Katie's PET DEPOT (West LA)	Roman & Edie Versch	(310) 828-4545	Relocating	Rancho Cucamonga	CA	91729	USA	katieswla@petdepot.net
PET DEPOT Vet Group (WLA)	Roman & Edie Versch	(310) 820-8781	Relocating	Rancho Cucamonga	CA	91729	USA	info@petdepotvetgroup.com
North Tampa PET DEPOT	Sree Reddy, DVM	(813) 866-7387	16033 Tampa Palms Blvd	Tampa	FL	33647	USA	northatampa@petdepot.net
PET DEPOT Vet Group (North Tampa)	Sree Reddy, DVM	(813) 866-3600	16034 Tampa Palms Blvd	Tampa	FL	33647	USA	northtampa@petdepotvetgroup.com
Seven Oaks PET DEPOT	Sree Reddy, DVM	(813) 973-4779	27029 State Road 56	Wesley Chapel	FL	33544	USA	sevenoaks@petdepot.net
Poe's PET DEPOT	Robert & Lisa Poe	(502) 259-9056	291 N Hubbards Ln Ste 165	Louisville	KY	40207	USA	poes@petdepot.com

Store Name	Franchisee(S)	Store Phone	Store Address	City	State	Zip	Co	Store Email
PET DEPOT Vet Group (Pelican Landing)	Elizabeth "Liz" Saylor	(985) 400-5313	70457 Hwy 21 #114	Covington	LA	70433	USA	pelicanlanding@petdepotvetgroup.com
Baer's PET DEPOT	Michael Baer, DVM & Terrie Baer	(508) 477-2524	7 N. Market St.	Mashpee	MA	2649	USA	baers@petdepot.net
PET DEPOT Vet Group (Caring Hearts)	Michael Baer, DVM & Terrie Baer	(508) 477-2525	7 N. Market St.	Mashpee	MA	2649	USA	caringhearts@petdepotvetgroup.com
Mellisa's PET DEPOT (N. Dartmouth)	Mellisa & Steve Raposo	(508) 996-0088	83 Faunce Corner Mall Rd #A	North Dartmouth	MA	2747	USA	mellisas@petdepot.net
Mellisa's PET DEPOT (Fairhaven)	Mellisa & Steve Raposo	(774) 328-8193	8 Sarah's Way	Fairhaven	MA	2719	USA	mellisas2@petdepot.net
Val's PET DEPOT	Praveen Kushwaha	(919) 651-8020	2448 SW Cary Parkway	Cary	NC	27513	USA	vals@petdepot.com
Donna's PET DEPOT	Donna Nusspickel	(201) 485-8895	271 Livingston St.	Northvale	NJ	7647	USA	donnas@petdepot.net
Katie's PET DEPOT (NJ)	Vincent & Linda Sheehan	(732) 422-0056	416 Renaissance Blvd	North Brunswick	NJ	8902	USA	katiesnj@petdepot.net
Benny's PET DEPOT	Diane Marcin	(717) 795-7387	5202 Simpson Ferry Rd #102	Mechanicsburg	PA	17050	USA	bennys@petdepot.net
Ricki's PET DEPOT	Kevin & Ricki Human	(865) 392-1151	11505 Kingston Pike	Farragut	TN	37934	USA	rickis@petdepot.net
Misty's PET DEPOT	Misty & Bill Lifford	(865) 523-9763	5451 Washington Pike Unit H-2	Knoxville	TN	37918	USA	mistys@petdepot.net
Patti's PET DEPOT	Patti Carter	(281) 531-1456	14618 Memorial Dr	Houston	TX	77079	USA	carters2@petdepot.net
Brittany's PET DEPOT	Jim Durden	(346) 322-4925	609 S. Mason Road	Katy	TX	77450	USA	brittanys@petdepot.net

Store Name	Franchisee(S)	Store Phone	Store Address	City	State	Zip	Co	Store Email
Tango PET DEPOT	Juan Castro, DVM	(703) 877-0702	11213 Lee Hwy.	Fairfax	VA	22030	USA	tango@petdepot.net
PET DEPOT Vet Group (Tango)	Juan Castro, DVM	(703) 877-0701	11213 Lee Hwy.	Fairfax	VA	22030	USA	tango@petdepotvetgroup.com
Cascades PET DEPOT	Jaswinder Saini, DVM	(703) 844-0661	211435 Epicerie Plaza Suite 170	Sterling	VA	20164	USA	cascades@petdepot.net
PET DEPOT Vet Group (Cascades)	Jaswinder Saini, DVM	(703) 844-0660	211435 Epicerie Plaza Suite 170	Sterling	VA	20164	USA	cascades@petdepotvetgroup.com
Mac's PET DEPOT Barkery	Keri Torgerson	(414) 294-3929	2197 S. Kinnickinnic Ave	Milwaukee	WI	53207	USA	macs@petdepot.net
Cody PET DEPOT	Greg Gorski	(307) 250-1942	556A Yellowstone Ave	Cody	WY	82414	USA	cody@petdepot.net
PET DEPOT Vet Group (Rock Springs)	Cameron Eilts, DVM	(307) 362-2369	200 Bordeaux Blvd	Rock Springs	WY	82901	USA	rocksprings@petdepotvetgroup.com
Stacy's PET DEPOT	Stacy Landraiult / Alain Leblanc	(613) 932-7337	805 Sydney St	Cornwall	ON	K6H 3J7	CAN	stacys@petdepot.net
Regina's PET DEPOT	Darlene Hincks / Cindy Smith	(306) 543-7387	340 McCarthy Blvd N	Regina	SK	S4R 7M2	CAN	reginas@petdepot.net

LIST OF OUTLETS TRANSFERRED FROM FRANCHISEES TO NEW OWNERS DECEMBER 31, 2020*

None

FRANCHISEES WHO HAD AN OUTLET TERMINATED, CANCELLED, NOT RENEWED OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS AS OF DECEMBER 31, 2020*

Elizabeth Saylor
Saylor's Pet Depot
70457 Hwy 21 #114
Convington, LA 70433
(985) 400-5373

FRANCHISEES WHO HAVE SIGNED FRANCHISE AGREEMENTS BUT ARE NOT OPEN DECEMBER 31, 2020*

Victor Hofmann
TBD
Harvard, Illinois
(815) 250-6340

*Area Developers - None

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT M
GENERAL RELEASE

LABRADOR FRANCHISES, INC.
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "**Release Agreement**") is made and entered into as of _____ (the "**Effective Date**"), by and among **LABRADOR FRANCHISES, INC.**, a California corporation ("**Franchisor**"), on the one hand, and _____ a _____ ("**Franchisee**"), and _____ ("**Owner**"), on the other hand, who are collectively referred to in this Release Agreement as the "**Releasing Parties**", with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement and related ancillary agreements dated _____ (collectively, the "**Franchise Agreement**") pursuant to which Franchisor granted Franchisee a license (the "**License**") to use the service mark and trade names "**Pet Depot**" and other related trademarks, service marks, logos and commercial symbols (the "**Pet Depot Marks**") and the "**Pet Depot System**" (the "**System**") in connection with the operation of a Pet Depot Franchised Business (the "**Franchised Business**") located at _____ (the "**Franchised Location**").

B. Franchisee desires to enter into a _____.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor 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. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, IT IS AGREED:

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, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), 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, whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise.

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

1.3 "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this Release Agreement.

1.4 "**Franchisor Released Parties**" means Franchisor and each of its Constituents.

1.5 "**Losses**" means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. **GENERAL RELEASE AGREEMENT**. Releasing Parties, for themselves and their Constituents, hereby release and forever discharge Franchisor 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, including, without limitation any and all Claims which relate to the Franchise Agreement, the Franchised Business, the System, the License, the Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters and obligations under this Release Agreement. This waiver, release and discharge is effective immediately in its fullest and most comprehensive sense.

3. **WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE**.

3.1 **Section 1542 of the California Civil Code**. Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

3.2 **Waiver**. With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them.

4. **UNKNOWN CLAIMS.** Releasing Parties acknowledge and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which, if known or suspected by Releasing Parties to exist in their favor at the time of executing this Release Agreement, may have materially affected Releasing Parties' decision to enter into this Release Agreement. It is understood by Releasing Parties that, after the Effective Date, the facts under which this Release Agreement is entered into may turn out to be other than or different from the facts Releasing Parties knew or believed to be true on the Effective Date. Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that

this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts.

5. **REPRESENTATIONS AND WARRANTIES**. Releasing Parties hereby represent and warrant that, in entering into this Release Agreement, Releasing Parties: (i) are doing so freely and voluntarily, either upon the advice of counsel and business advisors of Releasing Parties' own choosing, or without such advice because Releasing Parties, free from coercion, duress or fraud, declined to obtain such advice; (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) understand that this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of their interest, or any contingent interest, in any of the Claims released by this Release Agreement now or in the future, and are aware of no third party who contends or claims otherwise, and shall not purport to assign, transfer, or convey any interest in any such Claim after the Effective Date.

6. **COVENANTS NOT TO SUE**. Releasing Parties hereby irrevocably covenant that they will not, directly or indirectly: (i) commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement; or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement.

7. **INDEMNITY**. Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor 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 Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement; (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents; or (iv) the Franchise Agreement, the Franchised Business, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Franchised Business, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date.

8. **GENERAL PROVISIONS**.

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

8.2 **Entire Agreement**. 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 and supersedes any prior negotiations and agreements, oral or written, with respect to the subject matter of this Release Agreement. The Recitals set forth in Paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement.

8.3 **Counterparts and Electronic Transmission; Electronic Signatures**. This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of

which together shall be deemed to be one and the same instrument. Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Release Agreement may be signed electronically by the parties and electronic signatures appearing on this Release Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement.

8.4 **Heirs, Successors and Assigns**. This Release Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns. In addition, each of Franchisor Released Parties that is not a party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party.

8.5 **Interpretation**. The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties, and shall have no applicability in construing this Release Agreement or any of its terms. The headings used in this Release Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Release Agreement. As used in this Release Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

8.6 **Severability and Validity**. 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 of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

8.7 **Governing Law and Venue**. This Release Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 8.7 is intended by the parties to subject this Release Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought the in Superior Court of California, County of Los Angeles, or the United States District Court for the Central District of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

8.8 **Authority of Franchisor**. Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity.

8.9 **Authority of Releasing Parties**. Releasing Parties represent and warrant that (i) they have the power and authority to enter into this Release Agreement and to perform their obligations under this Release

Agreement without the approval or consent of any other person or entity, and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalves are duly authorized to do so without the approval or consent of any other person or entity.

8.10 **No Waiver**. No delay, waiver, omission, or forbearance on the part of any party to exercise any right, option, duty, or power arising out of any breach or default by any other party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the parties at variance with the terms of this Release Agreement, shall constitute a waiver by any party to enforce any such right, option, or power as against the other parties, or as to a subsequent breach or default by the other parties.

8.11 **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Release Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

8.12 **Further Acts**. The parties agree to execute, acknowledge and deliver to any requesting party, and to procure the execution, acknowledgment and delivery to any requesting party, of any additional documents or instruments which the requesting party may reasonably require to fully effectuate and carry out the provisions of this Release Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties to this Release Agreement have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

LABRADOR FRANCHISES, INC.
A California corporation

By: _____
Roman Versch, its President

FRANCHISEE:

_____
A _____

By: _____
Name: _____
Title: _____

OWNER:

_____
_____, an individual

_____
_____, an individual

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EFFECTIVE DATES

STATE EFFECTIVE DATES

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

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

State	**Effective Date**
California	_____

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.

LABRADOR FRANCHISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT N
RECEIPTS

RECEIPT

This Disclosure Document summarizes provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Labrador Franchises, Inc. offers you a franchise, Labrador Franchises, Inc. 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.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

If Labrador Franchises, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the State Agency listed on **Exhibit A**.

The franchisor is Labrador Franchises, Inc., located at 1941 Foothill Boulevard, Suite A, La Verne, California 91750.

Issuance Date: April 28, 2021.

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Roman Versch, Corrie Warren and Emmanuel Jerez, all at 1941 Foothill Boulevard, Suite A, La Verne, California 91750, telephone: 626-335-0469; Kevin Human, at 11505 Kingston Pike, Farragut, Tennessee 37934, telephone: 865-392-1151; or _____.

We authorize the persons and/or entities listed in **Exhibit A** to receive service of process for us.

I have received a Disclosure Document dated April 28, 2021.

This Disclosure Document includes the following Exhibits:

Exhibit A	List Of State Agents For Service Of Process & State Administrators	Exhibit H	Franchise Candidate Confidentiality Agreement
Exhibit B	Franchise Agreement And Attachments	Exhibit I	Financial Statements
Exhibit C	Conversion Addendum To Franchise Agreement	Exhibit J	Franchise Compliance Certification
Exhibit D	Area Development Agreement	Exhibit K	State Specific Addenda
Exhibit E	Lease Assignment Agreement	Exhibit L	List Of Current And Former Franchisees
Exhibit F	Table Of Contents Of Operations Manual	Exhibit M	General Release
Exhibit G	Non-Disclosure and Confidentiality Agreement For Employees of Franchisee		Effective Dates
		Exhibit N	Receipts

DATED: _____
SIGNED: _____, individually as
an officer, partner or member of _____
(a _____ corporation)
(a _____ partnership)
(a _____ limited liability company)
NAME: _____ ADDRESS: _____
PHONE: _____E-MAIL: _____

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO: ROMAN D. VERSCH, LABRADOR FRANCHISES, INC., 1941 FOOTHILL BOULEVARD, SUITE A, LA VERNE, CALIFORNIA 91750.

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DATED: _____
SIGNED: _____, individually as
an officer, partner or member of _____
(a _____ corporation)
(a _____ partnership)
(a _____ limited liability company)
NAME: _____ ADDRESS: _____
PHONE: _____E-MAIL: _____

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document may be available in several formats including on paper, on a CD, in pdf format or on our website: www.petdepot.net.