# FRANCHISE DISCLOSURE DOCUMENT

## TAILWAGGERS FRANCHISE TRIO, LLC

W6159 Schroth Lane
Greenville, Wisconsin 54942
(920) 882-8000
www.tailwaggersdoggydaycare.com

You will operate a pet daycare business that allows dogs to play and interact with other dogs in a non-caged, supervised environment and that provides overnight boarding, full-service grooming, enrichment activities, and a selection of retail items.

The total investment necessary to begin operation of a TailWaggers franchise is $712,300 to $1,107,667.This includes $45,000 (or $25,000 for an additional franchise) that must be paid to the franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kristin Schlosser, W6159 Schroth Lane, Greenville, WI 54942, or at 920-882-8000.

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

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

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

Issuance Date: October 31, 2025

# STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following Risk Factors before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION, IN WINNEBAGO COUNTY, WISCONSIN. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN TEXAS THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT WISCONSIN LAW GOVERNS THE AGREEMENT, AND WISCONSIN LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

For the Effective Date of this Franchise Disclosure Document for your state, see page after State Cover Page.

**STATE EFFECTIVE DATES**

The states listed below may require registration or filing of this Disclosure Document. If this offering is registered in any of these states, the effective date of the registration may differ from the date of issuance of this Disclosure Document as stated below. Some of these states may require different or additional disclosures or revisions to the agreement. The effective date of this Disclosure Document for any state that is not included in this list is as shown on the cover of this Disclosure Document. (See the State Addenda to this Disclosure Document for certain states.)

| | | |
|---|---|---|
| California | Effective Date: | |
| Connecticut | Effective Date: | |
| Florida | Effective Date: | |
| Hawaii | Effective Date: | |
| Illinois | Effective Date: | |
| Indiana | Effective Date: | |
| Kentucky | Effective Date: | September 3, 2015 |
| Maine | Effective Date: | |
| Maryland | Effective Date: | |
| Michigan | Effective Date: | |
| Minnesota | Effective Date: | |
| Nebraska | Effective Date: | |
| New York | Effective Date: | |
| North Carolina | Effective Date: | |
| North Dakota | Effective Date: | |
| Rhode Island | Effective Date: | |
| South Carolina | Effective Date: | |
| South Dakota | Effective Date: | |
| Texas | Effective Date: | May 18, 2009 |
| Utah | Effective Date: | |
| Virginia | Effective Date: | |
| Washington | Effective Date: | |
| Wisconsin | Effective Date: | November 5, 2007 |

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**EXHIBITS**


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G. FRANCHISEE DISCLOSURE QUESTIONNAIRE
H. MULTI-STATE ADDENDA

## ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the words "we," "our," "us" and "TailWaggers Doggy Daycare®" refer to TailWaggers Franchise Trio, LLC, the franchisor of this business. "You" and "your" refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

The Franchisor

We were organized in Wisconsin on November 6, 2006 to offer TailWaggers Doggy Daycare® franchises. Our principal business address is W6159 Schroth Lane, Greenville, WI 54942. We do business under the name TailWaggers Franchise Trio, LLC and the name TailWaggers Doggy Daycare®. We do not do business under any other name. We have offered franchises since the effective date of this Disclosure Document.

We franchise the right to operate a pet care business that allows dogs to play and interact with other dogs in a non-caged, supervised environment and that provides overnight boarding, full-service grooming, and a selection of retail items. The franchise or franchised business does business under the federally registered service mark TailWaggers Doggy Daycare®, and also uses our other related service marks, trademarks or logos (our "Marks"). The franchised business typically requires between 6,000 to 8,000 square feet of indoor space and one acre of outdoor space and is usually located near a main thoroughfare in an industrial complex. The franchise operates using our standards, methods, procedures and specifications, called our "System."

We do operate a business of the type being franchised. We are not involved in any other business activities.

Our Parents, Predecessors and Affiliates

We do not have any parent companies or predecessors. TailWaggers Doggy Day Care, LLC (our "Affiliate") was organized on August 18, 2004 and is located at W6159 Schroth Lane, Greenville, Wisconsin 54942. Our Affiliate has owned and operated two businesses of the type being franchised in Menasha, Wisconsin since April 2005, and in Greenville, Wisconsin since March 2010. Our Affiliate does not currently offer or has not previously offered franchises in this or any other line of business.

General Description of the Market and Competition

You will target your services to dog owners. You may have to compete with other businesses, including franchised operations, national chains and independently owned companies offering similar services or products to customers. You may also encounter competition from other TailWaggers Doggy Daycare® franchises.

Regulations Specific to the Industry

Some states have enacted laws and regulations that may affect your franchised business. The laws and regulations may cover a wide range of topics, including requirements with respect to facilities inspections and licensing for kennel operators. In addition, local zoning laws may prohibit you from operating your franchised business in certain areas. Also, many municipalities have noise ordinances that may be applicable to your franchised business. Federal and state septic and waste disposal regulations may also be applicable to your franchised business. In addition, most states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your business, including those that: (a) require a permit, certificate or other license; (b) establish general standards, specifications and requirements for the construction, design and maintenance of the business

premises; (c) regulate matters affecting the health, safety and welfare of your customers and their pets; including restrictions on smoking and availability of and requirements for public accommodations, including restrooms; (d) set standards pertaining to employee health and safety; (e) regulate matters affecting requirements for accommodations for disabled persons; and (f) set standards and requirements for fire safety and general emergency preparedness. You must investigate and comply with all applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you.

Agents for Service of Process

Our agents for service of process are listed on Exhibit B to this Disclosure Document.

## ITEM 2. BUSINESS EXPERIENCE

**Chief Financial Officer: Tara Morey**

Ms. Morey is our Chief Financial Officer and has been since our formation. In addition, Ms. Morey is the co-owner and operator of our Affiliate and has been since its formation. Previously from October 2000 to June 2007, she was the owner and manager of Salon Taglio in DePere, Wisconsin.

**President of Franchise Sales and Operations: Kristin Schlosser**

Ms. Schlosser is our President of Franchise Sales and Marketing and has been since our formation. In addition, Ms. Schlosser is co-owner of our Affiliate and has been since its formation. Previously, from October 2000 to November 2006, Ms. Schlosser was a Pharmaceutical Sales Specialist for AstraZeneca Pharmaceuticals, which is based in Wilmington, Delaware.

## ITEM 3. LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

## ITEM 4. BANKRUPTCY

No person identified in ITEMS 1 or 2 of this Disclosure Document has been involved as a debtor in any proceedings under either the U.S. Bankruptcy Code or under any foreign bankruptcy laws required to be disclosed in this ITEM.

## ITEM 5. INITIAL FRANCHISE FEE

You pay a $45,000 lump sum initial franchise fee when you sign the Franchise Agreement. You pay a $25,000 lump sum initial franchise fee when you sign the Franchise Agreement for a second and subsequent franchise. Otherwise, the initial franchise fee is uniform.

We will refund 50% of the initial franchise fee you paid if we, in our discretion, determine that you have failed to perform your pre-opening obligations under the Franchise Agreement and if we terminate the Franchise Agreement as a result. We do not give refunds under other circumstances. (For further information about termination of the franchise, see ITEM 17.)

The nonrefundable portion of the initial franchise fee is compensation to TailWaggers Doggy Daycare® for our efforts in offering and selling a franchise to you, for our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance with franchise

laws and regulations, site selection assistance and guidelines, the development and hosting of initial training programs and our participation in terminating the franchise.

[The remainder of this page is intentionally left blank.]

## ITEM 6. OTHER FEES

**OTHER FEES**

| Name of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee | 5% of gross sales | Monthly | See definition of gross sales.[1] (Section 3.2)* |
| Marketing Fund Contribution | Currently, 2% | Monthly | We will give you 30 days notice before increasing required contributions. (Section 11.3) (See ITEM 11) |
| Grand Opening Advertising | $12,000 - $20,000 | Prior to, and/or during three (3) months following initial opening | You pay directly subject to our approval (Section 11.1) |
| Local Advertising | 5% of gross sales | Monthly | You pay directly subject to our approval. (Section 11.2) We may require your expenditures to be used in cooperative advertising. (Section 11.4) Further information about all advertising programs is included in ITEM 11. |
| Audit Expenses[2] | All costs and expenses associated with audit | Upon demand | Audit costs payable only if the audit shows you have not spent at least 5% of your monthly gross sales on local advertising or if you underreported amounts you owe us by 3% or more. (Section 12.6) |
| Interest on Late Payments[3] | 1.5% per month or the highest rate allowed by the state where you are located, whichever is less | Upon demand | Applies to all overdue fees you owe us. (Section 3.5) Also applies to any understatement in amounts due revealed by an audit. (Section 12.6) |
| Approval of Products or Suppliers[4] | All reasonable costs of evaluation | Time of evaluation | Applies to our evaluation of new suppliers you wish to purchase from or products you wish to purchase that are not provided to you by us. (Section 13.1) |
| Insurance Policies | $250 - $1,000 | Upon demand | Amount of unpaid premiums plus our reasonable expenses in obtaining the policies payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 15.5) |
| Transfer Fee | $20,000 | Before transfer is closed | Does not apply to an assignment under Section 18.3 of the Franchise Agreement. (Section 18.2.8) |
| System Modifications | An amount not unreasonably disproportionate to your initial investment | As required | If we make changes to our System, you must adapt your business to conform to the changes at your expense. Some examples of changes include new equipment, fixtures, software, or new Marks. (Section 10.2) |
| Relocation Assistance | Costs of providing relocation assistance | Time of assistance | If you need our assistance to relocate, you must reimburse our costs to assist you. (Section 5.9) |

* All citations of Section numbers throughout this Disclosure Document refer to the Franchise Agreement attached as Exhibit C.

| Name of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Customer Service[5] | All costs incurred in assisting your customers | Upon demand | You must reimburse us if we determine it is necessary for us to provide service directly to your customers. (Section 13.8) |
| Substitute or New Manager Training/ Additional Training | Currently, $250 per day, plus your expenses in attending | Time of training | Our initial training program is covered by your initial franchise fee. If you have to repeat initial training, we may charge you. (Sections 8.1, 8.3 and8.4) |
| Ongoing Training[6] | You must pay your expenses as well as your employees' expenses in attending | Time of program | No tuition or training fees are assessed; attendance will not be required more than 2 times per year and collectively will not exceed 4 days in any year. (Section 8.5) |
| Additional Operations Assistance | Currently, $500 per day plus our expenses | Time of assistance | We provide assistance around the beginning of operations. You pay for additional assistance if you request it. (Section 8.2) |
| Cost of Enforcement | All costs including reasonable attorneys' fees | Upon demand | You must reimburse us for all costs in enforcing obligations if we prevail. (Section 22.4) |
| Temporary Management Assistance | Currently, $1,000 per day, plus our expenses | Each month that it applies | If you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, we may temporarily manage your franchised business. (Sections 16.5 and 18.6.2) |
| Indemnification | All costs including reasonable attorneys' fees | Upon demand | You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the franchised business. We also provide indemnification to you for any lawsuits or claims arising from your authorized use of the Marks. (Sections 6.4 and 21.3) |

We may require that all fees payable to us be paid through an electronic depository transfer account.

All of the fees noted above are uniform. No other fees or payments are to be paid to us or our affiliate, nor do we impose or collect any other fees or payments for any other third party. All fees are generally nonrefundable.

NOTES

[1] "Gross sales" means all revenue from the franchised business. Gross sales do not include sales tax or use tax. (Section 1)

[2] We do not have enough information to estimate audit costs. We assume costs vary depending on factors, including prevailing auditor's rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

[3] Interest on late payment begins from the date payment was due, but not received, or date of underpayment.

[4] Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

[5] Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved. You pay our actual costs only.

[6] You must attend our ongoing training programs. You must pay your costs to attend. We do not charge you any fee. Costs vary depending on the number of people attending, how far you travel and the type of accommodations you choose. We do not have enough information to estimate your costs to attend these programs. You should be able to investigate these costs through travel agencies. For further reference, review the estimated costs to attend our initial training program included in ITEM 7.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditures | Amount | Method of Payment | When Due | To Whom Payment Is To Be Made |
|---|---|---|---|---|
| Initial Franchise Fee[1] | $ 45,000 ($25,000 if additional franchise) | Cashier's Check | At Signing of Franchise Agreement | Us |
| Real Estate/Rent[2] | 5,500 - 26,667 | As Arranged | Before Beginning Operations | Lessor |
| Utility Deposits[3] | 0 - 1,000 | As Arranged | Before Beginning Operations | Utilities |
| Leasehold Improvements[4] | 500,000 - 750,000 | As Arranged | Before Beginning Operations | Contractor, Suppliers |
| Initial Inventory[5] | 12,000 - 20,000 | As Arranged | Before Beginning Operations | Approved Suppliers, Suppliers |
| Insurance[6] | 1000 - 2,500 | As Arranged | Before Beginning Operations | Insurance Companies |
| Office Equipment and Supplies[7] | 17,000 - 25,000 | As Arranged | Before Beginning Operations | Suppliers |
| Training[8] | 5,000 - 10,000 | As Arranged | During Training | Airlines, Hotels & Restaurants |
| Signage[9] | 15,000 - 25,000 | As Arranged | Before Beginning Operations | Suppliers |
| Furniture, Fixtures & Equipment[10] | 40,000 - 50,000 | As Arranged | Before Beginning Operations | Suppliers |
| Gingr Software Subscription[11] | 2500 | As Arranged | Before Beginning Operations | Suppliers |
| Grand Opening[12] | 12,000 - 20,000 | As Arranged | First 3 Months of Operation | Advertising Suppliers |
| Licenses & Permits[13] | 800 - 1,500 | As Arranged | Before Beginning Operations | Licensing Authorities |
| Legal & Accounting[14] | 1,500 - 3,500 | As Arranged | Before Beginning Operations | Attorney, Accountant |
| Additional Funds[15] | 75,000 - 125,000 | As Arranged | As Necessary | Employees, Utilities, Lessor, Suppliers |
| TOTAL[16] | $712,300 - $1,107,667 | | | |

NOTES

[1] Initial Franchise Fee. The franchise fee and its refund policy is described in greater detail in ITEM 5. We do not finance any fee.

[2] Real Estate/Rent. You must lease or otherwise provide a suitable facility for the operation of the franchised business. Typically, the facility will range in size from 6,000 to 8,000 square feet of indoor space and one acre of outdoor space. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. The low estimate is based on an assumption that you will have to pay a security deposit equal to one month's rent to lease the facility and is based on leasing a facility of 6,000 square feet. The high estimate is based on an assumption that you will have to pay a security deposit equal to 2 months' rent to lease the facility and is based on leasing a facility of 8,000 square feet at a higher cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. The estimated range of costs in this category only includes your costs to enter into a lease agreement for the facility. Estimated rental costs for 3 months are included with the category "Additional Funds," (see Note 15 below). The amounts you pay are typically non-refundable.

[3] Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities. You should contact your local utilities for more information.

[4] Leasehold Improvements. To adapt a newly acquired facility for operation of the franchised business, it must be renovated. The cost of the leasehold improvements will vary depending on factors including the size, condition and location of the facility, local wage rates and the cost of materials. The low estimate assumes that your landlord will provide a partial build-out allowance. The amounts you pay for leasehold improvements are typically not refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.

[5] Initial Inventory. You must purchase an initial supply of retail pet supplies and grooming supplies, etc. Costs vary based upon the size and location of the franchised business, time of season, suppliers and other related factors. We do not know if the amounts you pay for inventory items may be refundable. Factors determining whether inventory items are refundable typically include the condition of the items at time of return, level of use, and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[6] Insurance. You must purchase the following types and amounts of insurance:

(1) "all risk" property insurance coverage for assets of the franchised business;
(2) workers' compensation insurance and employer liability coverage with a minimum limit of $100,000 or higher if your state law requires;
(3) comprehensive general liability insurance with a minimum liability coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate or higher if your state law requires;
(4) business interruption insurance;
(5) automobile liability insurance of at least $1,000,000 or higher if your state law requires (if you opt to purchase a vehicle); and
(6) insurance coverage for contractual indemnity

Factors that may affect your cost of insurance include the size and location of the franchised business, value of the leasehold improvements, number of employees and other factors. The amounts you pay for insurance

are typically not refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

[7] Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

[8] Training. The cost of initial training is included in the initial franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. These expenses are typically not refundable. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation.

[9] Signage. This range represents the cost of all signage used in the franchised business, including decals for a vehicle. The signage requirements and costs will vary based upon the size and location of the franchised business, local zoning requirements, landlord requirements and local wage rates for installation. The amounts you pay for signage are typically not refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[10] Furniture, Fixtures & Equipment. You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your franchised business. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing orleasing.

[11] Gingr Software Subscription. You must subscribe to Gingr Software. This cost may vary depending on current subscription rates.

[12] Grand Opening. You must spend a minimum amount we specify on grand opening advertising during the first 3 months of operation. We determine the minimum based on our assessment of your advertising costs in your area and the time of year that you are opening. You may choose to spend more. See ITEM 11. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised business, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically not refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[13] Licenses & Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and construction permits. Costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non- refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

[14] Legal & Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchised business. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants. These fees are typically non- refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time ofhiring.

[15] Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including rent, utilities and employees' salaries, for the first 6 months that the franchised business is open. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non- refundable.

[16] Total. In compiling this chart, we relied on our and our Affiliate's industry knowledge and experience. The amounts shown are estimates only. They may vary for many reasons, including the size and condition of your facility, the capabilities of your management team, where you locate your franchised business and your business experience and skills. You may need additional funds as you operate the franchised business. You should seek the advice of a financial professional who may be better able to forecasts the costs and expenses you may incur in operating the franchised business.

We do not offer direct or indirect financing to you for any items.

## ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

You must purchase your furniture, fixtures, equipment, computer system and initial inventory based on the specifications set out in the Operations Manual. These specifications include standards for appearance, quality, price, performance and functionality. These specifications and standards are based on our and our Affiliate's experience in operating a business of the type we are franchising and through research and testing in our Affiliate's business. We may communicate these standards and specifications directly to suppliers who seek our approval of their services or products. We communicate these standards and specifications to you when we evaluate your proposed location for the franchised business, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location and through the Operations Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices. No officer of the franchisor, nor anyone listed in Item 2, has any ownership nor other interest in any supplier.

You do not have to purchase or lease any goods or services from us or our Affiliate, TailWaggers Doggy Daycare, LLC.

If you would like to use any goods or services in establishing and operating the franchised business that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or whether the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; and dependability and general reputation.

Periodically, we may review our approval of any goods, services or suppliers. We will notify you if we revoke our approval of any goods, services or suppliers, and you must immediately stop purchasing disapproved goods or services, or must immediately stop purchasing from a disapproved supplier.

We estimate that approximately 74% to 86% of your expenditures for leases and purchases in establishing your franchised business will be for goods and services that must be purchased from us, our Affiliate or an approved supplier or according to our standards and specifications. We estimate that approximately 10% to 15% of

your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, our Affiliate, an approved supplier or in accordance with our standards and specifications.

Periodically, we negotiate pricing arrangements, including volume discounts, on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchises located in outlying markets that a particular supplier does not serve in significant volume. Presently, there are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve. We may take action, including terminating your franchise, if you purchase unapproved products or make purchases from unapproved suppliers. We have no purchasing or distribution cooperatives serving our franchise System.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

**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 | Disclosure Document ITEM |
|---|---|---|---|
| a. | Site selection and acquisition/lease | Section 5 | ITEMS 11 and 12 |
| b. | Pre-opening purchases/leases | Sections 5, 12 and 15 | ITEMS 7 and 8 |
| c. | Site development and other pre-opening requirements | Sections 5 and 8 | ITEMS 7, 8 and 11 |
| d. | Initial and ongoing training | Section 8 and Exhibit 6 | ITEMS 6, 7 and 11 |
| e. | Opening | Sections 5 and 8 | ITEM 11 |
| f. | Fees | Sections 3, 5, 8, 10, 11, 13, 15, 18, 22, and Exhibit 6 | ITEMS 5, 6 and 7 |
| g. | Compliance with standards and policies/Operating Manual | Sections 6, 7, 9, 10 and 13 | ITEMS 8, 14 and 16 |
| h. | Trademarks and proprietary Information | Sections 6, 7 and 9 | ITEMS 13 and 14 |
| i. | Restrictions on products/services Offered | Sections 5, 6 and 13 | ITEMS 8 and 16 |
| j. | Warranty and customer service Requirements | Section 13 | ITEM 16 |
| k. | Territorial development and sales Quotas | None | ITEM 12 |
| l. | Ongoing product/service purchases | Section 13 | ITEMS 8 and 11 |

| Obligation | | Section in the Franchise Agreement | Disclosure Document ITEM |
|---|---|---|---|
| m. | Maintenance, appearance and remodeling requirements | Sections 5, 10 and 13 | ITEM 6 |
| n. | Insurance | Section 15 and Exhibit 6 | ITEMS 6, 7 and 8 |
| o. | Advertising | Section 11 | ITEMS 6, 7 and 11 |
| p. | Indemnification | Section 21 | ITEM 6 |
| q. | Owner's participation/management/ Staffing | Section 13 | ITEM 15 |
| r. | Records and reports | Section 12 | ITEM 11 |
| s. | Inspections and audits | Sections 6 and 12 | ITEMS 6, 11 and 13 |
| t. | Transfer | Section 18 and Exhibits 1 and 5 | ITEM 17 |
| u. | Renewal | Section 4 and Exhibits 1 and 5 | ITEM 17 |
| v. | Post-termination obligations | Section 17 and Exhibits 2 and 5 | ITEM 17 |
| w. | Non-competition covenants | Sections 7 and 17 and Exhibits 2, and 6 | ITEM 17 |
| x. | Dispute resolution | Section 23 and Exhibit 5 | ITEM 17 |

## ITEM 10. FINANCING

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

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

Except as listed below, we are not required to provide you with any.

A. Before The Franchised Business Opens

Before you open the franchised business, we will:

1. if we have not already approved a site for the franchised business before signing the Franchise Agreement, we will designate the area in which you must locate the franchised business, provide you with our criteria for site selection and evaluate sites you propose for the location of the franchised business. (Sections 2.3 and 5.1)

2. designate your non-exclusive area (area of primary responsibility). (Section 2.5; See also ITEM 12)

**Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your franchised business will be profitable or successful by being located at the approved location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.**

3. review and approve your lease or purchase agreement for the approved site for the franchised business. (Section 5.3)

**Our review of your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that you will succeed at the leased or purchased premises. Our review of your lease does not constitute legal advice and our review is solely for the purpose of assuring that the lease complies with the Franchise Agreement. For legal advice, you must rely upon the advice of your attorney.**

4. provide you with specifications for remodeling and equipping the approved location along with a list of required supplies, equipment and improvements that you must purchase and install and provide you with our criteria for a vehicle necessary for the operation of the franchised business. (Section 5.4)

5. provide an initial training program. This training is described in detail later in this ITEM. (Section 8.1, Exhibit 6)

6. provide to you on-site assistance and guidance to assist you with any questions you may have in operating the franchised business. (Section 8.2)

7. provide to you, on loan, one copy of the TailWaggers Doggy Daycare® Operations Manual, or grant you access to an electronic copy of the Operations Manual. The approximate total number of pages in the Operations Manual as of the date of this Disclosure Document is 291. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. (Section 9.1)

B. Other Assistance During the Operation of The Franchised Business

After the opening of the franchised business, we will:

1. periodically advise you and offer general guidance to you by telephone, e-mail, facsimile, and other methods. Our guidance is based on our and our Affiliate's knowledge and experience. We offer you advice and guidance on a variety of business matters, including operational methods, accounting procedures, authorized services or products and marketing and sales strategies. (Section 14.1)

2. make periodic visits to the franchised business to provide you with consultation, assistance and guidance in various aspects of the operation and management of the franchised business. We may prepare written reports suggesting changes or improvements in the operations of the franchised business and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Section 14.2)

3. make available to you operations assistance and ongoing training as we think necessary. (Sections 8.2 and 8.5) Ongoing training programs are described later in this ITEM and ITEM 6. (See also ITEM 9.d.)

4. approve forms of advertising materials you will use for local advertising, grand opening advertising and cooperative advertising. (Section 11.2) Our advertising programs are described later in this ITEM. (See also ITEM 9.o.)

5. provide you with modifications to the Operations Manual as they are made available to franchisees. (Section 9.2) The Operations Manual is described in ITEM 14. (See also ITEM9.g.)

C. Advertising and Promotion

1. During your first 3 months of operation, you must spend a minimum amount we specify for grand opening advertising, including print media and other advertising or promotional efforts. We determine the minimum amount you contribute by assessing advertising costs in your area and taking into account the time of year that you are opening. We will provide you with guidance for conducting grand opening advertising, and we will review and approve the materials you use in your grand opening advertising. (Section 11.1; See also ITEM 9.f. and 9.o.)

2. Each month, you must spend 5% of the previous month's gross sales on advertising, promotions and public relations in the local area surrounding the franchised business. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review and approve your advertisements. (Section 11.2; See also ITEM 9.o.) Once your franchise location is established and gross sales have reached a point at which spending five (5%) of the previous month's gross sales is an amount in excess of what is needed to generate needed additional business, the percentage of monthly gross sales spent on local advertising may fall below the five (5%) level so long as advertising activity continues at a level approved by Franchisor.

3. To assist in our regional and national advertising we have developed a System-wide marketing fund and you must contribute to the fund. The amount of your contribution to the fund is described in ITEM 6 under the heading, "Marketing Fund Contributions." (Section 11.3; See also ITEM 9.o.) As of December 31, 2007, we have not required any advertising contributions to the marketing fund. We will administer the marketing fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the marketing fund.

(b) We may use your contributions to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We initially plan to conduct all advertising in-house, but we may use a national or regional advertising agency in the future. We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the marketing fund. We will not use marketing fund contributions for the direct solicitation of franchise sales.

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the marketing fund before we use current contributions. We intend for the

marketing fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the marketing fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share.

(d) All businesses doing business under the like and style of TailWaggers Doggy Daycare® owned by our Affiliate or us will make similar contributions to the marketing fund.

(e) We will have an accounting of the marketing fund prepared each year and we will provide you with a copy if you request it. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the marketing fund's expense.

(f) The marketing fund is not a trust and we assume no fiduciary duty in administering the marketing fund.

4. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all franchises located in a particular region. We have the right to collect and designate all or a portion of the local advertising for cooperative advertising. We will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. If cooperative advertising is implemented in a particular region, we may establish an advertising council for franchises in that region to self-administer the program. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge these program(s) and/or council(s) at any time. (Section 11.4; See also ITEM 9.o.)

5. You are restricted from establishing a presence on, or marketing using, the Internet without our consent. We have an Internet website at the uniform resource locator www.tailwaggersdoggydaycare.com that provides information about the System and about TailWaggers Doggy Daycare® franchises. We may (but we are not required to) include at the TailWaggers Doggy Daycare® website an interior page containing information about your franchised business. If we include this information on the TailWaggers Doggy Daycare® website, you may be requested to prepare the page, at your expense, using our template. All information must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co- branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the TailWaggers Doggy Daycare® website. You may, at Franchisor's sole discretion and upon the written approval of Franchisor, operate a social media page, including, but not limited to, Facebook or Instagram, for branding and marketing purposes for the Approval Location. (Section 11.5; See also ITEM 9.o.)

D. Computer/Point-of-Sale System

You must purchase and use any hardware and software programs we designate. (Section 12.5) Presently, you must purchase hardware and software with the following specifications:

| HARDWARE |
|---|
| 2 Central Processing Units (of a known brand (Dell, HP, etc) except those using Unix or Macintosh OSX) |
| Current version of Microsoft Windows |
| 2.0 gigahertz processor or faster |
| 4gb RAM or higher |
| 120 gb of hard drive disk space |
| 17-inch monitor or larger with 1024x768 or better resolution |
| Backup system |
| 1-Scanner (any brand) |
| 1 Server |
| 1-Electronic cash drawer |
| **SOFTWARE** |
| Gingr Software |
| Microsoft Office Applications: Word, Excel, SQL Server<br>Intuit: QuickBooks Pro |

The approximate cost of the hardware and software ranges from $15,000 to $20,000. This cost is included in the category of "Office Equipment and Supplies" in the Estimated Initial Investment chart in ITEM 7. Our Affiliate has used the above hardware and software since 2010.

You will be required to use Gingr Software. Gingr is a software program to help manage your franchised business, maintain inventory, track sales and report sales to use. Gingr will also serve as your point of sale software.

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of a computer or the point-of-sale system, but you may find it advantageous to do so. You will be responsible for maintenance, repairs, update and upgrade of the computer hardware and software if we believe it is necessary. We may introduce new requirements for computers, software, and point-of-sale systems and you will be required to implement the new requirements. There are no limits on our rights to do so, except as disclosed in ITEM 16. We have the right to independently access all information you collect or compile at any time without first notifying you. (Sections 10.2, 12.5 and 12.6)

E. Methods Used to Select the Location of the Franchised Business

If you have a potential site for the franchised business, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area in which you must locate the franchised business and we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Sections 2.3 and 5.1)

The general site selection and evaluation criteria or factors that we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other franchised businesses, proximity to competitive businesses, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, available parking and overall suitability. We will provide you with

written notice of our approval or disapproval of any proposed site within a reasonable time (usually 30 days) after receiving all requested information. If we cannot agree with you on a suitable site for the franchised business within 90 days after you sign the Franchise Agreement, we may terminate the Franchise Agreement. (Sections 5.1 and 5.2)

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is 240 days. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. You are required to open your franchised business and be operational within 300 days after signing the Franchise Agreement. (Sections 5.4 and 5.6)

G. Training

We provide you an initial training program that covers material aspects of the operation of the franchised business. The topics covered are listed in the chart below. This training is offered on an as-needed basis at our headquarters in Greenville, Wisconsin or another location we designate. You must designate a manager for the franchised business and he or she must satisfactorily complete the initial training. One assistant of your choosing may also attend at your option. We expect that your attendees will advance through the training program at different rates depending on a variety of factors including background and experience. The time frames provided in the chart are an estimate of the time it will take to complete training. We do not charge for initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. These costs are estimated in ITEM 7. If you replace your designated manager, your new designated manager must attend our training program. You may be charged fees for additional training. Our current fees for additional training are described in ITEM 6. You are responsible for training your own employees and other management personnel. This initial training is in addition to the on-site opening assistance we provide to you. Your franchised business must at all times be under the day-to-day supervision of a designated manager who has satisfactorily completed our training program. After a replacement of the designated manager, he or she has 60 days to complete initial training. (Section 8)

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING | LOCATION |
|---|---|---|---|
| Introduction to TailWaggers Doggy Daycare® Values, Philosophy & Mission | 1 | - | Our headquarters in Greenville, Wisconsin |
| Dog Behavior & Dog Handling | 4 | 24 | Our headquarters in Greenville, Wisconsin |
| Overnights | 2 | 8 | Our headquarters in Greenville, Wisconsin |
| Grooming | 2 | 4 | Our headquarters in Greenville, Wisconsin |
| Daycare | 2 | 8 | Our headquarters in Greenville, Wisconsin |
| Cleanliness: Requirements, Methods & Cleaning Schedules | 2 | 24 | Our headquarters in Greenville, Wisconsin |
| First Aid & Safety | 1 | 2 | Our headquarters in Greenville, Wisconsin |
| Enrichment Activities & Implementation | 1 | 4 | Our headquarters in Greenville, Wisconsin |
| Human Resources: Hiring, Retainment, Required Documentation, Employee Training, Dress Code | 2 | 2 | Our headquarters in Greenville, Wisconsin |
| Marketing: Advertising Strategy, Branding, Grand Opening Requirements | 2 | - | Our headquarters in Greenville, Wisconsin |
| Computer: Hardware Requirements & Software Training | 1 | 24 | Our headquarters in Greenville, Wisconsin |

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING | LOCATION |
|---|---|---|---|
| Finance & Accounting: Requirements, Procedures & Reporting | 1 | 4 | Our headquarters in Greenville, Wisconsin |

Kristin Schlosser and Tara Morey will provide training. Their qualifications are included in ITEM 2.

If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. There are no limits on our right to assign a substitute to provide training.

The training will include the following instructional materials: The Operations Manual, current laws affecting the industry and business operations. The training will occur at both our training center and at your location. The initial training will be conducted at our central training facility with training concluding at your franchise location. The dates and location of the training will be communicated to you in the Operations Manual.

Periodically, you, your managers or employees must attend refresher-training programs to be conducted at our headquarters or other locations we choose. Attendance at these programs will be at your expense. You do not have to attend more than 2 of these programs in any calendar year and these programs will not collectively exceed 4 days during any calendar year. (Section 8.5)

## ITEM 12. TERRITORY

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. The area that you receive (called an "area of primary responsibility" or "area") will be described and depicted in a map attached to the Franchise Agreement. We determine the boundaries of the area based on a variety of factors, including the median population age, proximity to competitors, proximity to other franchisees, physical or political boundaries.

We reserve the right to establish other franchised or company-owned businesses in your area. We also reserve the right to establish other channels of distribution selling similar services and products including Internet sales, catalog sales, telemarketing or other direct marketing sales. These activities may compete with your franchised business. We will not compensate you for any sales made in your area through an alternate channel of distribution. You may not directly market to or solicit customers located inside another franchisee's area of primary responsibility. Unless you are advertising cooperatively with another franchisee, you may not advertise in any media primarily circulated inside another franchisee's area of primary responsibility.

You will operate the franchise from one location that we approve. You must receive our permission before relocating. If you can no longer use the location due to circumstances beyond your control, including unreasonable lease terms or destruction of the premises, you may be allowed to relocate. You do not receive the right to acquire additional franchises within your area of primary responsibility. You must meet our qualifications for new franchisees to qualify for an additional franchise location. There are no minimum sales quotas. As described in detail in ITEM 11.4, if we request, you must combine advertising with other franchises that are located in the market targeted by the advertising.

## ITEM 13. TRADEMARKS

You receive the right to operate your business under the name, TailWaggers Doggy Daycare®, which is the primary Mark used to identify our System. You may also use any other current or future Mark to operate your franchised business that we designate, including the logo on the front of this Disclosure Document and the trademark listed below. By "Mark," we mean any trade name, trademark, service mark or logo used to identify your business. Our Affiliate, TailWaggers Doggy Daycare, LLC, has a registration of the following Mark on the U.S. Patent and Trademark Office ("USPTO") principal register:

| Mark | Registration Number | Registration Date |
|---|---|---|
| TAILWAGGERS DOGGY DAYCARE (standard character mark) | 3,224,957 | April 3, 2007 |

We have a license agreement with TailWaggers Doggy Daycare, LLC, the owner of the Mark, to use and sublicense the use of the primary Mark. The license is for 10 years with 1 additional term of 10 years. The license agreement may be terminated if we are insolvent, if a trustee is appointed to administer our business, if we wind-up or sell our business, or if we breach any of our duties or obligations under the license agreement.

Currently, we know of no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of the state of Wisconsin or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We know of no infringing or prior superior uses that could materially affect the use of the Marks in the state of Wisconsin or any other state in which the franchised business is to be located.

You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your franchised business. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the franchised business. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark.

You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we so require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for your expenses in modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised business for the new or modified Marks. You do not have to spend an amount unreasonably disproportionate to your initial investment during the initial term of the Franchise Agreement to conform your franchised business to changes to the Marks and other System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any similar authority of any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the internet using any domain name containing, the words "TailWaggers Doggy Daycare®" or any variation of "TailWaggers Doggy Daycare®" or establish, create or operate in internet site or website using any domain name without our prior written consent.

## ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Operations Manual, our website, our marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and other similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify and only while you are operating the franchised business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a franchised business. We will provide our trade secrets and other confidential information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your franchised business. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the franchised business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to our trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners or members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form identical or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce the agreements.

All ideas, concepts, techniques or materials concerning the franchised business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign and do assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in ITEM 17.

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

The franchised business must always be under the direct full-time day-to-day supervision of your designated manager, which is you if you are an individual, or is an individual you select if you are a business entity. The designated manager must attend and satisfactorily complete our initial training program before opening the franchised business. You must keep us informed at all times of the identity of your designated manager. If you must replace the designated manager, your replacement must attend and satisfactorily complete our initial training program. If you are a corporation or other business entity, the designated manager may be one of your owners or employees.

As described in ITEM 14, certain individuals associated with your franchised business, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement.

## ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services and products we specify. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may disapprove. We may take action, including terminating your franchised business, if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products.

There are no limits on our right to do so, except that your investment required to change required or authorized services or products will not be unreasonably disproportionate to your original investment.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors as we determine, including test marketing, your qualifications, and regional or local differences.

Unless the customer initiates contact with you, you may not provide goods or services to a customer who resides outside of your area of primary responsibility. (See ITEM 12) Otherwise, we do not place restrictions on you with respect to who may be a customer of your franchised business.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise or Other Agreement | Summary |
|---|---|---|
| a. Length of franchise term | Section 4.1 | The initial term is 10 years. |
| b. Renewal or extension of the term | Section 4.2 | You may renew for 3 additional terms of 10 years each. If you fail to meet any one of the conditions in (c) below, we may refuse to renew or extend the terms of your Franchise Agreement. |
| c. Requirements for franchisee to renew or extend | Section 4.2 | You may renew the Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have the right to maintain possession of the approved location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in default of any provision of the Franchise Agreement or any other agreement with us; have given timely written notice of your intent to renew; sign a then-current Franchise Agreement, the terms of which may differ substantially; comply with current training requirements; and sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement. |
| d. Termination by franchisee | Section 16.1 | You may terminate the Franchise Agreement if you are in compliance with it and we materially breach it and we fail to begin to cure our breach within 30 days of receiving your written notice. |

| Provision | Section in Franchise or Other Agreement | Summary |
|---|---|---|
| e. Termination by franchisor without cause | None | |
| f. Termination by franchisor with cause | Section 16.2 | We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. |
| g. "Cause" defined - curable defaults | Section 16.2 | If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults below that require cure in a shorter time and non-curable defaults in (h.) below. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. |
| h. "Cause" defined - non-curable defaults | Section 16.2 | We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely select an approved site for or establish, equip and begin operations of the franchised business; fail to have your designated manager satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised business; use the Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the franchised business for 5 or more consecutive days; surrender or transfer control of the franchised business in an unauthorized manner; fail to maintain the franchised business under the |

| Provision | Section in Franchise or Other Agreement | Summary |
|---|---|---|
| | | supervision of a designated manager following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any Affiliate; continue to violate any health, safety or other laws or operate the franchised business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the Franchise Agreement or comply with specifications; or default under any other agreement, including, but not limited to any other franchise agreement or multi-unit franchise addendums, with us (or an Affiliate) so that we (or the Affiliate) have the right to terminate the agreement. |
| i. Franchisee's obligations on termination/non-renewal | Section 17.1 | If the Franchise Agreement is terminated or not renewed, you must: stop operating the franchised business; stop using any trade secrets, confidential information, the System and the Marks; ifrequested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Operations Manual, trade secrets and all other confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. |
| j. Assignment of contract by franchisor | Section 18.1 | There are no restrictions on our right to assign our interest in the Franchise Agreement. |
| k. "Transfer" by franchisee-definition | Section 18.2 | "Transfer" includes transfer of an interest in the franchise, the Franchise Agreement, the approved location, the franchised business's assets. |
| l. Franchisor's approval of transfer by franchisee | Section 18.2 | You may not transfer your interest in any of the items listed in (k) above without our prior written consent. |
| m. Conditions for franchisor approval of transfer | Section 18.2 | We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the |

| Provision | Section in Franchise or Other Agreement | Summary |
|---|---|---|
| | | transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee of $20,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition attached to the Franchise Agreement; and the transferee has agreed that its designated manager will complete the initial training program before assuming management of the franchised business. |
| n. Franchisor's right of first refusal to acquire franchisee's franchised business | Section 19 | We may match an offer for your franchised business or an ownership interest you propose to sell. |
| o. Franchisor's option to purchase franchisee's franchised business | Section 17.4 | Except as described in (n) above, we do not have the right to purchase your franchised business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised business for book value. |
| p. Death or disability of franchisee | Section 18.6 | Following the death or incapacity of an owner of the franchised business or the death or incapacity of any holder of a legal or beneficial interest in the franchised business, your or his or herrepresentative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchised business within 180 days of death or incapacity or we may terminate the Franchise Agreement. |
| q. Non-competition covenants during the term of the franchise | Section 7.3 | You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the franchised business to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business. |

| Provision | Section in Franchise or Other Agreement | Summary |
|---|---|---|
| r. Non-competition covenants after the franchise is terminated or expires | Section 17.2, Exhibit 6 | For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 25 miles of any other franchised business; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us. |
| s. Modification of the agreement | Sections 9.2, 22.7 and 22.8 | The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights. |
| t. Integration/merger clause | Section 22.7 | Only the terms of the Franchise Agreement are binding. Any other promises may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Section 23.7 | Except for claims relating to the Marks, trade secrets, confidential information and covenants not to compete, and subject to state law, all disputes must be arbitrated in Winnebago County, Wisconsin. |
| v. Choice of forum | Section 23.2 | Subject to state law, any litigation must be pursued in courts located in Winnebago County, Wisconsin. |
| w. Choice of law | Section 23.1 | Subject to state law, Wisconsin law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States. |

## ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance information that differs from that included in ITEM 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are

considering buying; or (2) a franchisor supplements the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kristin Schlosser, W6159 Schroth Lane, Greenville, WI 54942, the Federal Trade Commission and the appropriate state regulatory agencies.

## ITEM 20. LIST OF OUTLETS

**Table No.1.**

| SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2005 TO 2024 | | | | |
|---|---|---|---|---|
| **Outlet Type** | **Year** | **Outlets at the Start of the Year** | **Outlets at the End of the Year** | **Net Change** |
| Franchised | 2005 | 0 | 0 | 0 |
| | 2006 | 0 | 0 | 0 |
| | 2007 | 0 | 0 | 0 |
| | 2008 | 0 | 0 | 0 |
| | 2009 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 |
| | 2011 | 0 | 0 | 0 |
| | 2012 | 0 | 0 | 0 |
| | 2013 | 0 | 2 | +2 |
| | 2014 | 2 | 3 | +1 |
| | 2015 | 3 | 3 | 0 |
| | 2016 | 3 | 4 | +1 |
| | 2017 | 4 | 5 | +1 |
| | 2018 | 5 | 5 | 0 |
| | 2019 | 5 | 7 | +2 |
| | 2020 | 7 | 7 | 0 |
| | 2021 | 7 | 8 | +1 |
| | 2022 | 8 | 8 | 0 |
| | 2023 | 8 | 8 | 0 |
| | 2024 | 8 | 8 | 0 |
| Company-Owned | 2005 | 0 | 1 | +1 |
| | 2006 | 1 | 1 | 0 |
| | 2007 | 1 | 1 | 0 |
| | 2008 | 1 | 1 | 0 |
| | 2009 | 1 | 1 | 0 |
| | 2010 | 1 | 2 | +1 |
| | 2011 | 2 | 2 | 0 |
| | 2012 | 2 | 2 | 0 |
| | 2013 | 2 | 2 | 0 |

| | | | | |
|---|---|---|---|---|
| | 2014 | 2 | 2 | 0 |
| | 2015 | 2 | 2 | 0 |
| | 2016 | 2 | 2 | 0 |
| | 2017 | 2 | 2 | 0 |
| | 2018 | 2 | 2 | 0 |
| | 2019 | 2 | 2 | 0 |
| | 2020 | 2 | 2 | 0 |
| | 2021 | 2 | 1 | -1 |
| | 2022 | 1 | 1 | 0 |
| | 2023 | 1 | 1 | 0 |
| | 2024 | 1 | 1 | 0 |
| Total Outlets | 2005 | 1 | 1 | 0 |
| | 2006 | 1 | 1 | 0 |
| | 2007 | 1 | 1 | 0 |
| | 2008 | 1 | 1 | 0 |
| | 2009 | 1 | 1 | 0 |
| | 2010 | 1 | 2 | +1 |
| | 2011 | 2 | 2 | 0 |
| | 2012 | 2 | 2 | 0 |
| | 2013 | 2 | 4 | +2 |
| | 2014 | 4 | 5 | +1 |
| | 2015 | 5 | 5 | 0 |
| | 2016 | 5 | 6 | +1 |
| | 2017 | 6 | 7 | +1 |
| | 2018 | 7 | 7 | 0 |
| | 2019 | 7 | 9 | +2 |
| | 2020 | 9 | 9 | 0 |
| | 2021 | 9 | 9 | 0 |
| | 2022 | 9 | 9 | 0 |
| | 2023 | 9 | 9 | 0 |
| | 2024 | 9 | 9 | 0 |

This chart includes both franchised and company-owned TailWaggers businesses. As of the date of this Disclosure Document, there are a total of 9 TailWaggers businesses in operation.

**Table No. 2.**

| **TRANSFERS OFOUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2005 TO 2024** | | |
|---|---|---|
| **State** | **Year** | **Number of Transfers** |
| Wisconsin | 2005 | 0 |
| | 2006 | 0 |
| | 2007 | 0 |
| | 2008 | 0 |
| | 2009 | 0 |

| | | |
|---|---|---|
| | 2010 | 0 |
| | 2011 | 0 |
| | 2012 | 0 |
| | 2013 | 0 |
| | 2014 | 0 |
| | 2015 | 1 |
| | 2016 | 0 |
| | 2017 | 0 |
| | 2018 | 0 |
| | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 0 |

As of the date of this Disclosure Document, there are no franchisees who have had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date. There is one franchisee who has had an outlet transferred under a franchise agreement in 2015.

**Table No. 3.**

| STATUS OF FRANCHISE OUTLETS FOR YEARS 2005 TO 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Terminations** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of the Year** |
| Wisconsin | 2005 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2007 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2008 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2013 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2014 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| | 2018 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2019 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2020 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2021 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2022 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Ohio | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2018 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total | 2005 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2007 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2008 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2013 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2014 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2017 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| | 2018 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2019 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2020 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2021 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| | 2022 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2023 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2024 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |

As of the date of this Disclosure Document, there are franchise locations open, and no franchisees who have had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure Document issuance date. There is one franchisee who has had an outlet transferred under a franchise agreement in 2015. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

**Table No. 4.**

| **STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2005 TO 2024** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Outlets Reacquired From Franchisee** | **Outlets Closed** | **Outlets Sold to Franchisee** | **Outlets at End of the Year** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Wisconsin | 2005 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2006 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2007 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2008 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2009 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2010 | 1 | 1 | 0 | 0 | 0 | 2 |
| | 2011 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2012 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2013 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2014 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2018 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2019 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 2005 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2006 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2007 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2008 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2009 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2010 | 1 | 1 | 0 | 0 | 0 | 2 |
| | 2011 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2012 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2013 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2014 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2018 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2019 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |

The 1 company-owned unit refers to our Affiliate's TailWaggers businesses.

**Table No. 5.**

| PROJECTED NEW FRANCHISED OUTLETS AS OF December 31, 2024 | | | |
|---|---|---|---|
| **State** | **Franchise Agreements Signed But Outlet Not Yet Opened** | **Projected New Franchised Outlets In The Next Fiscal Year** | **Projected New Company-Owned Outlets in the Next Fiscal Year** |
| Wisconsin | 0 | 0 | 0 |
| Ohio | 0 | 0 | 0 |
| Total | 0 | 0 | 0 |

*We project the opening of zero TailWaggers businesses during our fiscal year ending December 31, 202_.

## ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit E are our balance sheet for the previous two (2) fiscal year-ends before the disclosure document issuance date and statements of operations, stockholders equity and cash flows for each of our previous three (3) fiscal years.

Our fiscal year end is December 31.

## ITEM 22. CONTRACTS

The TailWaggers Franchise Trio, LLC Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

The TailWaggers Franchise Trio, LLC General Release is attached to the Franchise Agreement as Exhibit 1. The

TailWaggers Franchise Trio, LLC Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit 2.

The TailWaggers Franchise Trio, LLC Unlimited Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit 3.

We provide no other contracts or agreements for your signature.

## ITEM 23. RECEIPT

Our copy and your copy of the Franchise Disclosure Document Receipt are located on the last 2 pages of this Disclosure Document.

# EXHIBIT A TO THE DISCLOSURE DOCUMENT

# LIST OF STATE ADMINISTRATORS; DISCLOSURE DOCUMENT EFFECTIVE DATES FOR EACH STATE

The following is a list of state administrators responsible for registration and review. We may register in one or more of these states.

California
Department of Corporations
71 Stevenson Street, Suite 2100
San Francisco, California 94105

Commissioner of Corporations
320 W. 4th Street, Suite 750
Los Angeles, California 90013

Commissioner of Corporations
1515 K. Street, Suite 200
Sacramento, California 95814
(866) 275-2677 Toll Free

Connecticut
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103
(860) 240-8299

Florida
Division of Consumer Services
Attn: Business Opportunities
2005 Apalachee Parkway
Tallahassee, Florida 32399-6500

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

Illinois
Illinois 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

Kentucky
Office of the Attorney General
Consumer Protection Division
Attn: Business Opportunity
1024 Capital Center Drive
Frankfort, Kentucky40601-8204

Maine
Department of Professional and Financial Regulations
Bureau of Banking
Securities Division
121 Statehouse Station
Augusta, Maine 04333

Maryland
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

Michigan
Department of the Attorney General
Consumer Protection Division, Franchise Unit
525 Ottawa Street
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48909

Minnesota
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

Nebraska
Nebraska Department of Banking and Finance
Commerce Court
1230 O Street, Suite 400
Lincoln, Nebraska 68509

New York
Bureau of Investor Protection and Securities
New York State Department ofLaw
120 Broadway, 23rd Floor
New York, New York 10271

North Carolina
Secretary of State
Securities Division
Old RevenueComplex
2 South Salisbury Street
Raleigh, North Carolina 27601

North Dakota
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Department 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Rhode Island
Division of Securities, Suite232
233 Richmond Street
Providence, Rhode Island 02903

South Carolina
Office of the Secretary of State
1205 Pendleton Street
Edgar Brown Building, Suite 525
Columbia, South Carolina 29201

South Dakota
Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

Texas
Office of the Secretary of State
Statutory Document Section
1019 Brazos Street
Austin, Texas 78701

Utah
Utah Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 146704
Salt Lake City, Utah 84114-6704

Virginia
State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219

Washington
Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin
Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

# EXHIBIT B TO THE DISCLOSURE DOCUMENT

# LIST OF STATE AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

California
Department of Corporations
71 Stevenson Street, Suite 2100
San Francisco, California 94105

Commissioner of Corporations
320 W. 4th Street, Suite 700
Los Angeles, California 90013

Commissioner of Corporations
1515 K St., Suite 200
Sacramento, California 95814
(866) 275-2677

Connecticut
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103

Hawaii
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana
Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

Maryland
Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

Michigan
Michigan Department of Commerce
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

Minnesota
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

New York
Secretary of the State of New York
41 State Street
Albany, New York 12231

North Dakota
North Dakota Securities Department
State Capitol – 5th Floor
600 East Boulevard
Bismarck, North Dakota 58505-0510

Rhode Island
Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903

South Dakota
Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

Virginia
Clerk, State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, Virginia 23219

Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin
Commissioner of Securities
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703

# TAILWAGGERS FRANCHISE TRIO, LLC

# FRANCHISE AGREEMENT

EXHIBIT C TO THE DISCLOSURE DOCUMENT

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# TAILWAGGERS FRANCHISE TRIO, LLC

# FRANCHISE AGREEMENT

This Franchise Agreement made this_____day of_____, 20__, is by and between TailWaggers Franchise Trio, LLC, a Wisconsin limited liability company, having its principal place of business at W6159 Schroth Lane, Greenville, Wisconsin 54942 ("Franchisor"), and _____, an individual/partnership/corporation/limited liability company established in the State of_____and whose principal address is _____("Franchisee").

**W I T N E S S E T H :**

WHEREAS, Franchisor and its Affiliate* have developed, and are in the process of further developing, a System identified by the service mark "TailWaggers Doggy Daycare®" and relating to the establishment and operation of a pet daycare business that allows dogs to play and interact with other dogs in a non-caged, supervised environment and that provides overnight boarding, full-service grooming, and a selection of retail items, referred to as "Franchised Businesses;" and

WHEREAS, in addition to the service mark "TailWaggers Doggy Daycare®" and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies, techniques and Trade Secrets and other Confidential Information; and the Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a Franchised Business using the System and the Marks; and

WHEREAS, Franchisee desires to operate a Franchised Business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

## 1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

**"Affiliate"** means any business entity that controls, is controlled by, or is under common control with Franchisor;

*Capitalized terms not otherwise defined are defined in Section 1.

**"Agreement"** means this agreement entitled "TailWaggers Franchise Trio, LLC Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

**"Approved Location"** means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

**"Approved Supplier(s)"** has the meaning given to such term in Section 13.1;

**"Area of Primary Responsibility"** has the meaning given to such term in Section 2.5;

**"Competitive Business"** means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) pet daycare and related services or products the same as or similar to those provided by Franchised Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

**"Confidential Information"** means technical and non-technical information used in or related to Franchised Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

**"Cooperative Advertising"** means the combined advertising program of two (2) or more franchisees established within a common market that Franchisor may require for Franchised Businesses within a particular region;

**"Designated Area"** has the meaning given to such term in Section 2.3;

**"Designated Manager"** if Franchisee is a legal business entity (such as a corporation, limited liability company or other legal business entity), "Designated Manager" means the individual holder of a legal interest in Franchisee designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

**"Effective Date"** means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

**"Electronic Depository Transfer Account"** means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

**"Franchise"** means the right granted to Franchisee by Franchisor to use the System and the Marks;

**"Franchised Business"** means the TailWaggers Doggy Daycare Franchise to be established and operated by Franchisee pursuant to this Agreement;

**"Franchisee"** means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

**"Franchisor"** means TailWaggers Franchise Trio, LLC;

**"Franchisor Indemnitees"** has the meaning given to such term in Section 21.3;

**"Grand Opening Advertising"** has the meaning given to such term in Section 11.1;

**"Generally Accepted Accounting Principles" or "GAAP"** means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

**"Gross Sales"** means the aggregate of all revenues collected from the sale of services and products from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance related to the lost sales revenue, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid or payable thereto, (c) the value of any coupon, marketing special, allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business, and (d) any rebate received by Franchisee from a manufacturer or supplier;

**"Gross Sales Reports"** has the meaning given to such term in Section 12.2;

**"Incapacity"** means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

**"Initial Franchise Fee"** has the meaning given to such term in Section 3.1;

**"Internet"** means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

**"Local Advertising"** has the meaning given to such term in Section 11.2;

**"Marketing Fund"** has the meaning given to such term in Section 11.3;

**"Marketing Fund Contribution"** has the meaning given to such term in Section 11.3;

**"Marks"** means the service mark "TailWaggers Doggy Daycare®" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with Franchised Businesses;

**"Operations Manual"** means the copyrighted (registered or unregistered) TailWaggers Doggy Daycare® Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards,

methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

**"Royalty Fee"** has the meaning given to such term in Section 3.2;

**"System"** means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of Franchised Businesses; and

**"Trade Secrets"** means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) provided by Franchisor related to or used in Franchised Businesses that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## 2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, the right to operate one (1) Franchised Business using the System and Marks.

2.2 Approved Location

The street address (or detailed description of the premises) of the Approved Location is:

_____

_____

_____.

2.3 Approved Location Not Determined

If the Approved Location is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location of the Franchised Business is not determined as of the Effective Date, then the geographic area in which the Franchised Business is to be located shall be within the geographic area described below ("Designated Area"). Franchisee shall select and submit possible sites for Franchisor's evaluation in accordance with Section 5.1. When the Approved Location is determined, its address shall be inserted into

Section 2.2, shall be initialed and dated by Franchisee and Franchisor and the Designated Area shall lapse. The failure to insert such address into Section 2.2, shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection. A detailed description of the geographic area or boundaries of the Designated Area is:

_____

_____

_____.

2.4 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

2.5 Area of Primary Responsibility

Franchisee will not receive an exclusive territory. Franchisee shall receive a territory called the Area of Primary Responsibility to be mutually agreed upon by Franchisor and Franchisee and depicted in the map in Section 2.6 below. Franchisee will operate the Franchised Business within the designated Area of Primary Responsibility and shall limit all direct marketing, direct advertising and business activities within such area, as stated in Section 2.8. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee's Area of Primary Responsibility, Franchisee's rights in the Area of Primary Responsibility are subject to Franchisor's right articulated in Section 2.7.

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2.6 Map and Description of Area of Primary Responsibility

2.6.1 The Area of Primary Responsibility shall be defined by and exist within the following zip codes or other physical, political or natural boundaries:

_____

_____

_____

_____.

2.6.2 The map of the Area of Primary Responsibility is:

2.7 Franchisor's Rights

Franchisee acknowledges that except to the extent provided in Section 2.5 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.7.1 establish, own or operate, and license others to establish, own or operate, Franchised Businesses inside or outside of the Area of Primary Responsibility as Franchisor deems appropriate;

2.7.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Area of Primary Responsibility;

2.7.3 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Area of Primary Responsibility. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Area of Primary Responsibility which are not franchised or licensed, Franchisor may, in its sole discretion:

2.7.3.1 offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a Franchised Business; or

2.7.3.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.7.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Area of Primary Responsibility;

2.7.5 provide the services and sell the products authorized for Franchised Businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate; and

2.7.6 engage in any activities not expressly forbidden by this Agreement.

2.8 Marketing and Solicitation Restrictions

Franchisee shall not directly market to or directly solicit customers whose principal residence (or principal business office, if the customer is a business entity) is within the area of primary responsibility of another franchisee. Except as part of Cooperative Advertising implemented pursuant to Section 11.4, Franchisee shall not advertise in any media whose primary circulation does not include Franchisee's Area of Primary Responsibility. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other Franchised Businesses, but under no circumstances shall Franchisor be required to engage in litigation or similar actions with regard to these restrictions.

2.9 Additional Franchised Business

Franchisor may grant to Franchisee one or more additional Franchised Business at a separate Approved Location, in Franchisor's sole discretion. With respect to such additional Franchised Business, if any, the Multi-Unit Franchise Addendum attached hereto as Exhibit 6 shall modify this Franchise Agreement as set forth therein. As a condition of granting such additional Franchised Business, if Franchisor desires to grant such Franchised Business in its sole discretion, Franchisor may require Franchisee to amend any other franchise agreements to which Franchisor and Franchisee are parties to align such other franchise agreements with the then-current form of the Franchisor's franchise agreement. Any such amendment shall not affect the term of said franchise agreement.

## 3. FEES

3.1 Initial Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Initial Franchise Fee") to Franchisor of FORTY FIVE THOUSAND DOLLARS ($45,000.00). The Initial Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Sections 5.2, 5.5 and 8.3. The Initial Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Monthly Royalty Fee

On the fifteenth day of each month for so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a monthly fee ("Royalty Fee") equal to five percent (5%) of Gross Sales related to the then completed prior month. Each monthly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.4, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail or intranet system.

3.3 Taxes

To the extent the following taxes become due, are not paid by Franchisee and are then assessed againt the Franchisor, Franchisee shall pay to Franchisor an amount equal to all sales taxes, excise taxes, use taxes, withholding taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax or similar tax assessed on Franchisor for doing business in the state where the Franchised Business is located.

3.4 Electronic Transfer

Franchisor has the right to require all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. At Franchisor's request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account.

Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent.

3.5 Interest on Late Payments

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall incur late fees at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the

state where Franchisee is located, if the stated rate is unenforceable) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

3.6 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority.

## 4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 16.

4.2 Renewal

Subject to the conditions below, Franchisee has the right to renew at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to renew is limited to three (3) successive terms of ten (10) years each, such that the total term of the Franchise shall not exceed forty (40) years. To qualify for a renewal of this Agreement, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.2 Franchisee has access to and, for the duration of the renewal, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given written notice of its intent to renew to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.7 Franchisee has executed Franchisor's then-current form of franchise agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a renewal), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement; provided, however, that Franchisee shall not be required to pay the then-current Initial Franchise Fee;

4.2.8 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

4.2.9 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

## 5. APPROVED LOCATION

5.1 Selection of Site

If an Approved Location for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually thirty [30] days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site shall be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Franchised Business. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other Franchised Businesses, proximity to Competitive Businesses, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, available parking and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. ***Franchisor does not represent that it, or any of its Affiliates, owners, employees or agents, have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location.***

5.2 Failure to Select Site

Should Franchisee fail to select a site for the Franchised Business, which meets with Franchisor's approval within ninety (90) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.2, Franchisor shall return to Franchisee fifty percent (50%) of the Initial Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities). The non-refundable portion (fifty percent [50%]) of the Initial Franchise Fee is compensation to Franchisor for its efforts in offering and selling a franchise to Franchisee, Franchisor's marketing and sales activities to promote the sale of a franchise to qualified franchisees, Franchisor's participation in the franchise sale, Franchisor's legal compliance with franchise laws and regulations, site selection assistance

and guidelines and the development and hosting of initial training programs and participation in terminating the franchise.

5.3 Lease of Approved Location

After the designation of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor in writing. Franchisor shall not unreasonably withhold its approval. ***Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review of any such lease.*** Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

5.3.1 a provision reserving to Franchisor the right, but not the obligation, at Franchisor's election, to receive an assignment of the leasehold interest without payment of any assignment fee or similar charge and without any increase in rent or other fees upon termination or expiration of the Franchise grant. The lessor agrees that, before the effective date of any assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under thelease;

5.3.2 a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business, as Franchisor may request;

5.3.3 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

5.3.4 a provision requiring the lessor to provide Franchisor (at the same time lessor provides to Franchisee) a copy of all lease amendments and assignments, and a copy of all notices lessor sends to Franchisee relating to the lease or the leased premises;

5.3.5 a provision permitting Franchisor to enter the leased premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect the System and the Marks without being guilty of trespass, or other tort or other crime;

5.3.6 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

5.3.7 a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business unless this Agreement is terminated and Franchisor does not assume responsibility under the lease;

5.3.8 a provision allowing Franchisor, upon expiration and non-renewal or termination of the lease or the Franchise Agreement, to enter the premises and remove any interior and exterior signs containing the Marks and trade fixtures;

5.3.9 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right, but not the obligation, to take possession of the Approved Location and operate the Franchised Business, but shall assume the obligation to make payments due under the lease; and

5.3.10 a provision stating that lessor shall not amend or otherwise modify the lease in any manner that would affect any of the foregoing provisions to be included in the lease set forth above without Franchisor's prior written consent.

5.4 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a Franchised Business, including exterior and interior design and layout, fixtures, equipment, vehicles (vehicle type and signage wrap), décor and signs. Such specifications are subject to alteration as Franchisor deems necessary. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such specifications within two hundred forty (240) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 employ an approved competent licensed architect, engineer or general contractor to prepare, for Franchisor's approval, preliminary specifications for improvement of the Approved Location adapted from the specifications furnished by Franchisor;

5.4.2 obtain all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary specifications;

5.4.3 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits have been obtained;

5.4.4 employ a qualified, licensed general contractor approved by Franchisor to complete construction of all required improvements to the Approved Location;

5.4.5 purchase a vehicle meeting Franchisor's specifications and cause the vehicle to be wrapped in signage (optional);

5.4.6 purchase any supplies or inventory necessary for the operation of the FranchisedBusiness;

5.4.7 purchase and install all equipment, signs, furniture and fixtures, including any computer equipment, required for the operation of the Franchised Business; and

5.4.8 establish broadband or high-speed Internet access and obtain at least two (2) telephone numbers and one (1) facsimile number solely dedicated to the Franchised Business.

5.5 Failure to Develop Approved Location

Should Franchisee fail to substantially develop the Approved Location for the Franchised Business within two hundred forty (240) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.5, Franchisor shall return to Franchisee fifty percent (50%) of the Initial Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

5.6 Opening

5.6.1 Before opening the Franchised Business and commencing business, Franchisee must:

5.6.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.6.1.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.6.1.3 complete initial training to the satisfaction of Franchisor;

5.6.1.4 hire and train the personnel necessary or required for the operation of the Franchised Business;

5.6.1.5 obtain all necessary permits and licenses;

5.6.1.6 if Franchisee is a business entity, Franchisee has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.6.1.7 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate; and

5.6.1.8 pay in full all amounts due to Franchisor.

5.6.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within three hundred (300) days after the Effective Date. Time is of the essence.

5.7 Failure to Open

Should Franchisee fail to commence operations of the Approved Location for the Franchised Business within three hundred (300) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.7, Franchisor shall retain the entire Initial Franchise Fee paid by Franchisee. The Initial Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

5.8 Use of Approved Location

During the term of the Agreement, Franchisee shall not use the Approved Location for any purpose other than for the operation of a Franchised Business in full compliance with this Agreement and the Manual, unless approved in writing by Franchisor.

5.9 Relocation

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor. If the lease for the Approved Location expires or terminates through no fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.8. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement shall terminate as provided in Section 16.2.1.1.

## 6. PROPRIETARY MARKS

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and

service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated TailWaggers Doggy Daycare® Franchise" of Franchisee.

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within sixty (60) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the

Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "TailWaggers Doggy Daycare®" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Manual.

## 7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 Confidentiality of Trade Secrets and Other Confidential Information

Franchisee acknowledges that Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related

rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee ornot.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among TailWaggers Doggy Daycare® franchisees if owners of Franchised Businesses and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

## 8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make an initial training program available to the Designated Manager and one (1) assistant. At least four (4) weeks prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business including, but not limited to, sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues. Franchisor shall conduct the initial training program at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

In conjunction with, the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, one (1) of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with TailWaggers Doggy Daycare® techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If Franchisor determines that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 8.3, Franchisor shall return to Franchisee fifty percent (50%) of the Initial Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities). If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction. Franchisee will be required to pay Franchisor's then-current rates for additional training, if any, for providing the substitute manager an initial training program.

8.4 New Designated Manager

After beginning operations, should Franchisee name a new Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager and the new Designated Manager must complete the initial training program to Franchisor's satisfaction within sixty (60) days of being named. The new Designated Manager may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance at such training.

8.5 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training. Franchisor shall not require the Designated Manager to attend more than two (2) sessions in any calendar year and collectively not more than four (4) days in any calendar year. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

## 9. MANUAL

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Manual or grant Franchisee access to an electronic copy of the Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

9.2 Revisions

Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 Confidentiality

The Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. If the Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Manual in a secure manner at the Approved Location; if the Manual is in electronic form, Franchisee shall maintain the Manual in a password- protected file. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the Manual or any key, combination or passwords needed for access to the Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner.

## 10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor.

10.2 Modification of the System

Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment or signs. Franchisee agrees to make all required upgrades and modifications at its expense as may be required by Franchisor; provided, however, that Franchisee shall not be required to make any expenditures during the first year of the initial term or any expenditures which are unreasonably disproportionate to Franchisee's original investment to establish the Franchised Business during the initial term. If such additional investment is required to be made in the last year of the initial term, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise. Franchisee acknowledges that any required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2 of this Agreement. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.3 Variance

Franchisor shall in good faith enforce all franchise agreements in substantially the same manner with the intent to provide a uniform standard of quality and service by all franchisees, but Franchisor has the right to vary standards or specifications for any franchisee based upon the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Franchised Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

## 11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Grand Opening Advertising

Prior to, and/or during a period of approximately three (3) months following the initial opening of the Franchised Business, Franchisor shall specify and opening advertising budget and Franchisee shall spend an amount specified by such agreement on local advertisement and promotion of the initial opening ("Grand Opening Advertising"). At Franchisor's direction Franchisee shall be required to expend between Twelve Thousand Dollars ($12,000.00) and Twenty Thousand Dollars ($20,000.00) on Grand Opening Advertising based upon Franchisor's general assessment of the area surrounding the Franchised Business and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors. Further, Franchisor shall specify the time at which Franchisee shall conduct Grand Opening Advertising. Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in Section 11.2.2. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions.

11.2 Local Advertising

11.2.1 Franchisee shall continuously promote the Franchised Business. Every month, Franchisee shall spend at least five (5%) of the previous month's Gross Sales on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business ("Local Advertising"). Such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month.

11.2.2 All advertising and business promotion must be conducted in a tasteful and dignified manner and must be conducted consistent with the dignity and integrity of the proprietary Marks in accordance with good business practices. Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, internet ads, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such twenty (20) day period, such materials shall be deemed to have not received the required approval. Franchisee shall not use any marketing or promotional material prior to written approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

11.3 Marketing Fund

Franchisor has established and administers a System-wide marketing, advertising and promotion fund to assist in Franchisor's regional and national advertising for the benefit of franchisees ("Marketing Fund"). Franchisee shall be required to contribute monthly by the 15th day of each month to the Marketing Fund in an amount specified by Franchisor and which Franchisor may adjust from time to time ("Marketing Fund Contributions"). Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.3.1 Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program.

11.3.2 Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably

related to the administration of the Marketing Fund. Franchisor shall not be permitted to use the Marketing Fund to promote the sale of franchises.

11.3.3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

11.3.4 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

11.3.5 Each business doing business under the like and style of TailWaggers Doggy Daycare® operated by Franchisor or an Affiliate shall make similar contributions to the MarketingFund.

11.3.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.3.7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.4 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of Franchised Businesses located within a particular region. Franchisor has the right to collect and designate a portion of the Local Advertising for a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's rules and procedures and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

11.5 Internet Advertising

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator www.tailwaggersdoggydaycare.com that provides information about the System and the services and products that Franchisor and its franchisees provide. Franchisor shall provide basic information about the Franchise Business on its TailWaggers Doggy Daycare® website including location and contact information. Franchisor may (but is not required to) include at the TailWaggers Doggy

Daycare® website an interior page containing information about the Franchised Business. If Franchisor includes such information on the TailWaggers Doggy Daycare® website, Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to advertise or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to approve any linking to, or other use of, the TailWaggers Doggy Daycare® website. Franchisee may, at Franchisor's sole discretion and upon the written approval of Franchisor, operate a social media page, including, but not limited to, Facebook or Instagram, for branding and marketing purposes for the Approval Location.

## 12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor via the Internet and a signed and verified statement of Gross Sales ("Gross Sales Report") for the month in a form that Franchisor approves or provides in the Manual. The Gross Sales Report for the preceding week must be provided to Franchisor by the close of business on the 15th day of the following month as provided in Section 3.2.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the fifteenth (15th) day of each month, in a form approved by Franchisor, an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall not be required to be prepared in accordance with GAAP but may take the form of an Other Comprehensive Basis of Accounting ("OCBOA") financial statements but must be applied on a consistent basis. If required by Franchisor under Section 12.6, such financial statements shall be reviewed or audited by a

certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer/Point-of-Sale System

Franchisor reserves the right to require Franchisee to purchase, install and use computer and point-of-sale systems consisting of hardware and software in accordance with Franchisor's specifications. Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement. Franchisee must provide assistance as may be required to allow Franchisor permanent internet access to Franchised Business's computer system. Franchisor has the right, without prior notice to Franchisee, to retrieve such data and information from Franchised Business's computer system as Franchisor deems necessary or desirable, and Franchisee agrees to fully cooperate with such efforts. All data pertaining to Franchised Business, and all data created or collected in connection with the computer and point-of-sale systems, or in connection with the operation of the Franchised Business (including without limitation, data pertaining to or otherwise concerning Franchised Business's clients) or otherwise provided by Franchisee (including without limitation, data uploaded to, or downloaded from Franchised Business's computer system) is and will be owned exclusively by the Franchisor, and Franchisor will have the right to use such data in any manner that it deems appropriate without compensation to Franchisee. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for use in connection with the Franchised Business conducted under this Agreement. In view of the contemplated interconnection of computer systems, Franchisee agrees, at the expense of the Franchisee, to keep Franchised Business's computer systems in good maintenance and repair, and to promptly install such additional changes, modifications, substitutions or replacements to hardware, software, telephone and power lines, and other computer-related facilities, as directed by Franchisor.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is higher). If the audit or any other inspection should reveal that Franchisee has not spent at least five percent (5%) of its monthly Gross Sales on Local Advertising or if the inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

## 13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those supplies, signs, equipment and other items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any services or products that Franchisor has not approved.

13.1.2 Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty [30] days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of services or products at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.1.3 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.4 Franchisor has the right to designate certain services and products, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain services or products not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same services or products.

13.1.5 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the Franchised Business and the Approved Location in "like new" condition, and shall repair or replace equipment, fixtures, vehicles, supplies, inventory and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2. Franchisor shall in good faith enforce all franchise agreements in substantially the same manner with the intent to provide a uniform standard of quality and service by all franchises.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee. The Designated Manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.4 Days of Operation

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Manual.

13.5 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor's prior consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion. If Franchisor does not object within fifteen (15) business days of Franchisee's request or if the charity is on the approved charities list promulgated by Franchisor and updated from time to time, Franchisee shall be permitted to make the requested gift or donation.

13.6 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8 Compliance with Good Business Practices

Franchisee and Franchisor acknowledge that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section. Franchisor shall in good faith enforce all franchise agreements in substantially the same manner with the intent to provide a uniform standard of quality and service by all franchisees.

13.9 Uniforms

Franchisee shall abide by any uniform or dress code requirements stated in the Manual or otherwise. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10 Vending Machines

Franchisee shall not install or use at the Franchised Business any vending machines, amusement devices, jukeboxes, video machines or other similar devices without first securing Franchisor's written approval.

13.11 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its customers.

13.12 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor.

13.13 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.14 Interference with Employment Relations of Others

Neither Franchisor nor Franchisee will attempt, directly or indirectly, to entice or induce, or attempt to entice or induce an employee of the other or of another Franchisee to leave such employment, or employ such employee within two(2) years after his or her termination of employment with such employer, except with the prior written consent of such employer.

## 14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service, however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for services and products that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating Franchised Businesses and an analysis of costs and prices charged for competitive services and products. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business; provided, however, that Franchisor shall have the sole right to determine the prices to be charged for products sold through the TailWaggers Doggy Daycare® Internet site, including products sold to persons identified as customers of the Franchised Business.

14.2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

## 15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

15.1.1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS ($100,000.00) or, if higher, the statutory minimum limit as required by state law;

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS ($1,000,000.00) per occurrence and TWO MILLION DOLLARS ($2,000,000.00) in the aggregate or, if higher, the statutory minimum limit required by state law;

15.1.4 business interruption insurance in amounts and with terms acceptable to Franchisor;

15.1.5 (if you opt to purchase a vehicle) automobile liability insurance for owned or hired vehicles, with a combined single limit of at least ONE MILLION DOLLARS ($1,000,000.00) or, if higher, the statutory minimum limit required by state law; and

15.1.6 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.3 to the extent that such indemnification represents a normal insurable risk.

15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## 16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

If Franchisee is in full compliance with all of the material terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.2 Termination by Franchisor

Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to timely select an approved site for or establish, equip and commence operations of the Franchised Business pursuant to Section 5;

16.2.1.2 fails to have its Designated Manager satisfactorily complete any training program pursuant to Section 8;

16.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to materially adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.5 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual, Trade Secrets or any other Confidential Information;

16.2.1.6 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

16.2.1.7 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.8 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

16.2.1.9 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.10 engages in any activity exclusively reserved to Franchisor;

16.2.1.11 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

16.2.1.12 repeatedly breaches this Agreement and/or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured;or

16.2.1.13 defaults under any other agreement, including, but not limited to any other franchise agreement or multi-unit franchise addendum between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 within ten (10) days of receiving written notice of Franchisee's failure to pay any amounts due to Franchisor;

16.2.2.2 within ten (10) days of receiving written notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement;

16.2.2.3 if required by Franchisor, within ten (10) days of receiving written notice, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested byFranchisor;

16.2.2.4 within ten (10) days of receiving written notice, has abandoned, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved

by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

16.2.2.5 within ten (10) days of receiving written notice, fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;

16.2.2.6 within ten (10) days of receiving written notice, continues the misuse or unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.2.7 within ten (10) days of receiving written notice, continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public; or

16.2.2.8 within thirty (30) days of receiving written notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to ONE THOUSAND DOLLARS ($1,000.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

## 17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2 cease to use the Trade Secrets, Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.3 upon demand by Franchisor and agreement to accept such assignment and assume the responsibility therefore, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "TailWaggers Doggy Daycare®" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.5 pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of any early termination of this Agreement and any other amounts due to Franchisor or any Affiliate;

17.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.7 immediately return to Franchisor the Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

17.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

17.1.8 comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.1.2 to induce Franchisor to grant a Franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a twenty-five (25) mile radius of the Approved Location or within the Area of Primary Responsibility (whichever is greater), or (b) within a twenty-five (25) mile radius of the location of any other Franchised Business in existence at the time of termination or expiration; or

17.2.2.2 solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

17.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as

Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair value as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

## 18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business;

18.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of TWENTY THOUSAND DOLLARS ($20,000.00);

18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

18.2.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee for the shorter of the remainder of the term of this Agreement (without extension or renewal) or twelve (12) months, if required by Franchisor;

18.2.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17; and

18.2.13 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business.

18.3 Transfer to a Controlled Entity

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.8;

18.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business or vehicle, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6 Transfer by Death or Incapacity

18.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

18.6.2 Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to ONE THOUSAND DOLLARS ($1,000.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

## 19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales or Transfers to Family Excepted

If franchisee, or any of its owners, proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 19 shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

## 20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 4 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

## 21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

21.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its

rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

## 22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.7. Franchisor's rights herein, shall include pursuing injunctive relief through arbitration or in a state of federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

TailWaggers Franchise Trio, LLC
Attn: Kristin Schlosser
W6159 Schroth Lane
Greenville, Wisconsin 54942

22.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's TailWaggers Franchise Trio, LLC Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

22.8 Severability and Modification

22.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

## 23. DISPUTE RESOLUTION

23.1 Choice of Law

**Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.**

23.2 Consent to Jurisdiction

**Any action brought by either party except those claims required to be submitted to arbitration, shall only be brought in the appropriate state court located in or serving Winnebago County, Wisconsin. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.**

23.3 Cumulative Rights and Remedies

**No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanentinjunctions.**

23.4 Limitations of Claims

**Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.**

23.5 Limitation of Damages

**Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Initial Franchise Fee and Royalty Fees.**

23.6 Waiver of Jury Trial

**FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.**

23.7 Arbitration

**This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any and all intellectual property rights, including, but not limited to, Franchisor's Marks, copyrights or the unauthorized use or disclosure of Franchisor's Confidential Information, covenants against competition and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Winnebago County, Wisconsin, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court for the State of Wisconsin and located in Winnebago County, Wisconsin. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.**

**Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.**

## 24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Uniform Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least fourteen (14) business days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

24.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

24.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

24.4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Franchised Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Uniform Franchise Disclosure Document or this Agreement.

24.6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

TAILWAGGERS FRANCHISE TRIO, LLC:

By:_____

Name:_____

Title:_____

FRANCHISEE:_____
(type/print name)

By:_____

Name:_____

Title:_____

[or, if an individual]

Signed:_____

Name printed:_____

# EXHIBIT 1 TO THE FRANCHISE AGREEMENT

## GENERAL RELEASE

THIS GENERAL RELEASE is made and given on this _____ day of _____, 20____ by _____, ("RELEASOR") an individual/corporation/ limited liability company/partnership with a principal address of _____, in consideration of:

_____ the execution by TailWaggers Franchise Trio, LLC, a Wisconsin limited liability company ("RELEASEE"), of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

_____ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the Franchise Agreement; or

_____ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement; or

_____ RELEASEE'S refund of fifty percent (50%) of the Initial Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: _____
(type/print name)

By: _____

Name: _____

Title: _____
(or, if an individual)

Signed: _____

Name printed: _____

## ACKNOWLEDGMENT

State of_____)
) ss
County of_____)

On this_____day of_____, 20____before me personally came_____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of_____(company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____ (NOTARIAL SEAL)
Notary Public
My Commission expires:

# EXHIBIT 2 TO THE FRANCHISE AGREEMENT

## NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This "Agreement" made as of the_____day of_____, 200____, is by and between _____, ("Franchisee") (d/b/a a TailWaggers DoggyDaycare® Franchise) and_____("Individual").

**W I T N E S S E T H:**

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated_____, 20 ("Franchise Agreement") by and between Franchisee and TailWaggers Franchise Trio, LLC ("Company"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) pet daycare and related services or products the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

**1. Trade Secrets and Confidential Information**

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in TailWaggers Doggy Daycare Businesses that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to TailWaggers Doggy Daycare Businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

**2. Confidentiality/Non-Disclosure**

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a TailWaggers Doggy Daycare Business.

**3. Non-Competition**

a) During the term of Individual's relationship with Franchisee and for a period of two (2) years after the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business within twenty-five (25) miles of where the franchisor or any other franchisee operates, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's service mark "TailWaggers Doggy Daycare®" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with TailWaggers Doggy Daycare Businesses or the Company's uniform standards, methods, procedures and specifications for the establishment and operation of TailWaggers Doggy Daycare Businesses.

b) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within twenty-five (25) miles of where the franchisor or any other franchisee operates.

c) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other TailWaggers Doggy Daycare Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other TailWaggers Doggy Daycare Business.

**4. Reasonableness of Restrictions**

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement

shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

**5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

**6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Winnebago County, Wisconsin. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of thisAgreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

WITNESS:

_____

FRANCHISEE:

By: _____

Its: _____

INDIVIDUAL:

Signature: _____

Printed Name: _____

# EXHIBIT 3 TO THE FRANCHISE AGREEMENT

## UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this_____day of_____, 20_, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated _____herewith ("Agreement") by TailWaggers Franchise Trio, LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 6, 7 and 17 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Wisconsin (without giving effect to principles of conflicts of law).

Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of Wisconsin and the United States District Court located in or serving Winnebago County, Wisconsin and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this

Guaranty or any of the other Franchising Agreements or in any way connected with or related or incidental to the dealings of Guarantor and Franchisor in respect of this Guaranty or any of the other Franchising Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between Guarantor or Franchisee and Franchisor or the conduct of any such persons in connection with this Guaranty, the other Franchising Agreements or otherwise shall be heard only in the courts described above (except that Franchisor shall have the right to bring any action or proceeding against Guarantor or his or her property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or Guarantor to Franchisor or to otherwise enforce its rights against Guarantor or his or her property).

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____
_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:_____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually(Signature)

HOME ADDRESS

_____
_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:_____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____
_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:_____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually(Signature)

HOME ADDRESS

_____
_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:_____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____
_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:_____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually(Signature)

HOME ADDRESS

_____
_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:_____%

# EXHIBIT 4 TO THE FRANCHISE AGREEMENT

## HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS; DIRECTORS

**Holders of Legal or Beneficial Interest:**

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____
Percentage of ownership:_____%

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____
Percentage of ownership_____%

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____
Percentage of ownership:_____%

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____
Percentage of ownership_____%

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____
Percentage of ownership:_____%

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____
Percentage of ownership_____%

**Officers and Directors:**

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____

Name:_____
Position/Title:_____
Home Address:_____
_____
_____
Telephone No.:_____
E-mail address:_____

# EXHIBIT 5 TO THE FRANCHISE AGREEMENT

## MULTI-STATE ADDENDA

**ADDENDUM TO THE FRANCHISE AGREEMENT**
**TAILWAGGERS FRANCHISE TRIO, LLC**

**FOR THE STATE OF CALIFORNIA**

This Addendum to the Franchise Agreement is agreed to this _____ day of _____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____.

1. New Section 17.6 is inserted into the Franchise Agreement and states as follows:

   If termination is the result of Franchisee's default, Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for: (a) the twenty-four (24) calendar months of operation of Franchisee preceding Franchisee's default; (b) the period of time Franchisee has been in operation preceding the notice, if less than twenty-four (24) calendar months, projected on a twenty-four (24) calendar month basis; or (c) any shorter period as equals the unexpired term at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter and agree that the lump sum payment provided under this Section is reasonable in light of the damages for premature termination that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have including attorneys' fees and costs.

2. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

   - The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 4.2 and 16.
   - Section 16.2.1.11, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
   - Section 17.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
   - The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
   - The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.
   - Paragraph 1 of this Addendum contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
   - Section 23.7 requires binding arbitration. The arbitration will occur at the forum indicated in Section 23.7, with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

3. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee: _____ |
| By: _____ | By: _____ |
| Title: _____ | Title: _____ |

**FOR THE STATE OF CONNECTICUT**

This Addendum to the Franchise Agreement is agreed to this _____ day of _____, _____, between. TailWaggers Franchise Trio,LLC and _____ ("Franchisee") to amend and revise said Franchise Agreement as follows:

1. The "Training and Assistance" Section is amended by the addition of the following language to the original language that appears therein:

- "The required training shall commence no more than sixty (60) days after execution of this Agreement."

2. The "Confidential Operations Manual" Section is amended by the addition of the following language to the original language that appears therein:

- "Franchisor shall provide the Confidential Operating Manual to the Franchisee no later than thirty (30) days after execution of this Agreement."

3. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Connecticut Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

TailWaggers FranchiseTrio, LLC:

By: _____

Title: _____

Franchisee: _____

By: _____

Title: _____

**FOR THE STATE OF HAWAII**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____.

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement, and more specifically Sections 4.2, 16 and 18.2 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

- Sections 4.2.9, 5.2, 5.5, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise and Sections 5.2, 5.5 and 8.3 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Initial Franchise Fee following a termination of the Franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

- Section 16.2.1.11, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee:_____ |
| By:_____ | By: _____ |
| Title:_____ | Title: _____ |

**FOR THE STATE OF ILLINOIS**

This Addendum to the Franchise Agreement is agreed to this __ day of _____, 20_, is by and between TailWaggers Franchise Trio, LLC and _____.

1. Due to Franchisor's financial condition, the Illinois Attorney General's Office has required and Franchisor has agreed to defer collection of all initial fees as described in Section 3.1 of the Franchise Agreement until Franchisor has completed all of its pre-opening obligations to Franchisee and Franchisee is open for business.

2. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- Sections 4.2, 5.2, 5.5, 8.3 and 18.2 are amended to add:

  No general release shall be required as a condition of renewal or transfer or as a condition to receiving a refund of a portion of the Initial Franchise Fee following a termination of the Franchise that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

- Sections 16, 17 and 23 are amended to add:

  The conditions under which the Franchise Agreement can be terminated and Franchisee's rights upon termination or non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

- Section 23.4 is amended to add:

  No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that the Franchisee may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.

- Section 23.6 is deleted in its entirety.

- Section 24.1 is amended to include a 14-calendar-day minimum disclosure period prior to the signing of a binding agreement or any payment to Franchisor.

3. Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

4. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee: _____ |
| By: _____ | By: _____ |
| Title: _____ | Title: _____ |

**FOR THE STATE OF INDIANA**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3 and 18.2.3 do not provide for a prospective general release of claims against Franchisor that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- Section 16 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
- Section 17.2 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.
- Section 21.3 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 23.1 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.
- Section 23.2 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.
- Section 23.7 is amended to provide that arbitration between Franchisor and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee:_____ |
| By:_____ | By: _____ |
| Title:_____ | Title: _____ |

**FOR THE STATE OF MARYLAND**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____
_____.

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- Sections 4.2.9, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise and Sections 5.2, 5.5 and 8.3 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Initial Franchise Fee following a termination of the Franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.

- Section 16.2.1.11, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

- Section 23.1 requires that the Franchise be governed by the laws of the State of Wisconsin; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.

- Sections 23.2 and 23.7 require litigation or arbitration to be conducted in the State of Wisconsin; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

- Any Section of the Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

- Section 23.4 is amended to the extent that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

2. Any portion of the Franchise Agreement which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee:_____ |
| By:_____ | By: _____ |
| Title:_____ | Title: _____ |

**FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____.

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

- Sections 4 and 16 are amended to add that with respect to Franchises governed by Minnesota Law, Franchisor will comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 do not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

- Section 6 is amended to add that as required by Minnesota Franchise Act, TailWaggers Franchise Trio, LLC will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by TailWaggers Franchise Trio, LLC, and so long as TailWaggers Franchise Trio, LLC is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

- Section 23.4 is amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within three (3) years from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

- Section 23.5 is deleted in itsentirety.

- Section 23.6 is deleted in itsentirety.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers FranchiseTrio, LLC: | Franchisee:_____ |
| By:_____ | By: _____ |
| Title:_____ | Title: _____ |

**FOR THE STATE OF NEW YORK**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLCand _____
_____.

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receiving a refund of a portion of the Initial Franchise Fee following termination of the Franchise; such release shall exclude claims arising under the General Business Laws.

- Under Section 18.1, Franchisor shall not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.

- Section 21.3 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

- Section 23.1 requires that the Franchise be governed by the laws of the state Franchisor's principal business is then located, such a requirement will not be considered a waiver of any right conferred upon Franchisee by Article 33 of the General Business Laws.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

TailWaggers FranchiseTrio, LLC: Franchisee:_____

By:_____ By: _____

Title:_____ Title: _____

**FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____.

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended asfollows:

- Under Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6, the execution of a general release upon renewal, transfer, or as a condition of receipt of a refund of a portion of the Initial Franchise Fee following termination, shall be inapplicable to Franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise InvestmentLaw.

- Section 7 is amended to add that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

- Sections 17.1.5 and 17.1.6 are amended tostate:

  If Franchisor or Franchisee is required to enforce this Agreement via judicial or arbitration proceedings, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees in connection with such proceeding.

- Section 17.2 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

- Section 23.1 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.

- Section 23.2 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.

- Section 23.4 is amended to state that the statute of limitations under North Dakota Law shall apply.

- Sections 23.5 and 23.6 are deleted in their entireties.

- Section 23.7 is amended to state that arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee:_____ |
| By:_____ | By: _____ |
| Title:_____ | Title: _____ |

**FOR THE STATE OF RHODE ISLAND**

This Addendum to the Franchise Agreement is agreed to this____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLCand _____
_____.

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Initial Franchise Fee following termination of the Franchise; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.

- Sections 23.1, 23.2 and 23.7 are amended to state that restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

TailWaggers FranchiseTrio, LLC: Franchisee:_____

By:_____ By: _____

Title:_____ Title: _____

**FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____ _____ to amend and revise said Franchise Agreement as follows:

- Section 16.2.1.11, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

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.

TailWaggers Franchise Trio, LLC: Franchisee: _____

By: _____ By: _____

Title: _____ Title: _____

**FOR THE STATE OF WASHINGTON**

This Addendum to the Franchise Agreement is agreed to this_____day of_____, 20___, is by and between TailWaggers Franchise Trio, LLC and _____.

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940, the Franchise Agreement for TailWaggers Franchise Trio, LLC is amended as follows:

- The Washington Franchise Investment Protection Act provides rights to Franchisee concerning non-renewal and termination of the Franchise Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act shall control.

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Initial Franchise Fee following termination of the Franchise; such release shall exclude claims arising under the Washington Franchise Investment Protection Act.

- Section 23.1 requires that the Franchise be governed by the laws of the State of Wisconsin; such a requirement may be unenforceable in the event of a conflict with the Washington Franchise Investment Protection Act. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

- Sections 23.2 and 23.7 require litigation or arbitration to be conducted in the State of Wisconsin; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.

- Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, or restrict or limit rights or remedies available to a franchisee under the Act, such as a waiver of the right to a jury trial, may not be enforceable.

- Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Washington Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| | |
|---|---|
| TailWaggers Franchise Trio, LLC: | Franchisee:_____ |
| By:_____ | By: _____ |
| Title:_____ | Title: _____ |

**FOR THE STATE OF WISCONSIN**

This Addendum to the Franchise Agreement is agreed to this_____day of_____, 20_____, is by and between TailWaggers Franchise Trio, LLC and _____ _____ _____to amend and revise said Franchise Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Franchise Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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.

| TailWaggers Franchise Trio, LLC: | Franchisee: |
|---|---|
| By:_____ | By: _____ |
| Title: _____ | Title: _____ |

## EXHIBIT 6 TO THE FRANCHISE AGREEMENT

# MULTI-UNIT FRANCHISE ADDENDUM

This Multi-Unit Franchise Addendum ("Addendum") made this ____day of _____, 20 ("Effective Date"), is by and between Tailwaggers Franchise Trio, LLC, a Wisconsin limited liability company ("Franchisor"), and _____, an individual/partnership/corporation/limited liability company established in the State of _____and whose principal address is _____("Franchisee").

**W I T N E S S E T H**

WHEREAS, Franchisee and Franchisor have entered into that certain Franchise Agreement dated _____, 20__(the "Franchise Agreement"), for the establishment and development of a TailWaggers Doggy Daycare Franchised Business at _____; and

WHEREAS, pursuant to Section 2.9 of the Franchise Agreement, Franchisee desires to open and operate an additional Franchised Business at a separate Approved Location, and such additional Franchised Business has been approved by Franchisor in reliance upon all of the representations made in the Franchise Agreement and made herein.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

**1. FEES**

1.1 Reduced Initial Franchise Fee. The Initial Franchise Fee set forth in Section 3.1 of the Franchise Agreement shall be reduced to TWENTY-FIVE THOUSAND DOLLARS ($25,000.00) for the Franchised Business.

**2. TRAINING AND ASSISTANCE**

2.1 Initial Training. Franchisee's Designated Manager and one (1) assistant must attend and successfully complete the initial training program pursuant to Section 8.1 of the Franchise Agreement. In the event that the Designated Manager or the assistant has previously and satisfactorily completed such initial training program pursuant to a separate franchise agreement or other agreement between Franchisee and Franchisor, the Designated Manager and/or assistant may not be required to complete such initial training program again, at Franchisor's sole discretion, and, if Franchisor waives such requirement, the absence of recompleting such initial training program shall not constitute as a failure to complete the initial training program under Section 8.3 of the Franchise Agreement.

2.2 New Designated Manager. In the event that Franchisee names a new Designated Manager after beginning operations pursuant to Section 8.3 of the Franchise Agreement such new Designated Manager has previously completed the initial training program pursuant to a separate franchise agreement or other agreement between Franchisee and Franchisor, the Designated Manager may not be required to complete such initial training program again, at Franchisor's sole discretion, and, if Franchisor waive such requirement, the absence of recompleting such initial training program shall not constitute as a failure to complete the initial training program under Section 8.3 of the Franchise Agreement.

**3. INSURANCE**

3.1 Insurance Coverage for Multiple Franchised Businesses. For the avoidance of doubt, the insurance requirements set forth in Section 15 of the Franchise Agreement shall be the insurance requirements for the Franchised Business pursuant to the Franchise Agreement only. In the event that Franchisee has insurance coverage for multiple Franchised Businesses between Franchisee and Franchisor, such insurance coverage minimums set forth in Section 15 shall be increased proportionally such that the minimum coverage requirements

for each franchised business fulfill the minimum coverage requirements set forth in Section 15 of the Franchise Agreement.

**4. RESTRICTIVE COVENANTS**

4.1 Post-Termination Covenant Not to Compete and Unfair Competition. For the avoidance of doubt, the post-termination covenant not to compete set forth in Section 17.2 of the Franchise Agreement, unfair competition restrictions set forth in Section 17.3 of the Franchise Agreement, the Nondisclosure and Non- Competition Agreement, to which Franchisee may be subject, attached as Exhibit 2 to the Franchise Agreement, and any other restrictive covenants set forth in the Franchise Agreement shall not restrict or prevent Franchisee from owning and/or operating any other Franchised Businesses between Franchisor and Franchisee.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Addendum.

TAILWAGGERS FRANCHISE TRIO, LLC

By:_____

Name: _____

Title: _____

FRANCHISEE: _____
(type/print name)

By:_____

Name: _____

Title: _____

(or, if an individual)

Signed:_____

Name printed: _____

# TAILWAGGERS FRANCHISE TRIO, LLC

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# TAILWAGGERS FRANCHISE TRIO, LLC

# FINANCIAL STATEMENTS

EXHIBIT E TO THE DISCLOSURE DOCUMENT

# TAILWAGGERS FRANCHISE
# TRIO, LLC

## MENASHA, WISCONSIN

## AUDITED FINANCIAL STATEMENTS

## DECEMBER 31, 2024

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

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Erickson & Associates, S.C.
Certified Public Accountants

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149
www.erickson-cpas.com

# INDEPENDENT AUDITOR'S REPORT

To the Members
Tailwaggers Franchise Trio, LLC
Menasha, Wisconsin

We have audited the accompanying financial statements of Tailwaggers Franchise Trio, LLC (a Wisconsin Limited Liability Company), which comprise the balance sheet as of December 31, 2024, and the related statements of income, shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Tailwaggers Franchise Trio, LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for our Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

*Erickson & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
July 22, 2025

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## BALANCE SHEET
December 31, 2024

### ASSETS

| | |
|---|---|
| Current assets: | |
| Cash | $ 165,608 |
| Accounts receivable | 62,332 |
| Prepaid Wisconsin income tax | 1,907 |
| Total assets | $ 229,847 |

### LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|---|---|
| Current liabilities: | |
| Accounts payable | $ 12,092 |
| Payroll liabilities | 2,274 |
| Accrued payroll | 58,607 |
| Deferred revenues | 32,235 |
| Total current liabilities | 105,208 |
| Long term liabilities: | |
| Due to shareholder | 16,751 |
| Total liabilities | 121,959 |
| Capital stock | 2,000 |
| Shareholders' equity | 105,888 |
| Total liabilities and shareholders' equity | $ 229,847 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF INCOME

For the Year Ended December 31, 2024

| | |
|---|---|
| Revenue: | |
| Franchise fees | $ 20,000 |
| Royalties | 388,289 |
| Advertising fund | 134,300 |
| Total revenue | 542,589 |
| Operating expenses: | |
| Advertising and promotion | 80,164 |
| New franchise sales advertising | 5,624 |
| Bank service charge | 155 |
| Computer support | 4,543 |
| Franchise setup fees | 1,587 |
| Insurance | 5,601 |
| Legal and accounting fees | 15,485 |
| Licenses and permits | 2,009 |
| Franchise support | 24,508 |
| Meeting expense | 13,214 |
| Office expense | 14,587 |
| Wages | 226,531 |
| Payroll taxes and expenses | 29,145 |
| Repairs and maintenance | 33 |
| Automobile expense | 11,641 |
| Travel | 7,152 |
| Wisconsin Income Tax Expense | 5,453 |
| Total operating expenses | 447,432 |
| Operating income | 95,157 |
| Other income (expense): | |
| Miscellaneous expense | ( 131) |
| Interest income | 112 |
| Interest expense | ( 62) |
| Total other expense | ( 81) |
| Net income | $ 95,076 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2024

| | Tara Morey | Kristin Schlosser | Totals |
|---|---|---|---|
| Balance, December 31, 2023, as restated | $ 57,871 | $ 57,871 | $ 115,742 |
| Deduct: | | | |
| Cash distributions | ( 52,465) | ( 52,465) | ( 104,930) |
| Net income for the year | 47,538 | 47,538 | 95,076 |
| Balance, December 31, 2024 | $ 52,944 | $ 52,944 | $ 105,888 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

| | |
|---|---|
| Cash flows from operating activities: | |
| Revenues received | $ 491,767 |
| Cash paid for operating activities | ( 399,964) |
| Interest income received | 112 |
| Cash paid for interest costs incurred | ( 62) |
| Net cash provided by operating activities | 91,853 |
| Cash flows from financing activities: | |
| Principal payments on long term debt | ( 669) |
| Payments on amounts due to Tailwaggers, LLC | ( 14,200) |
| Distributions to members | ( 104,930) |
| Net cash used in financing activities | ( 119,799) |
| Net decrease in cash | ( 27,946) |
| Cash balance, beginning of year | 193,554 |
| Cash balance, end of year | $ 165,608 |

## RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|---|
| Net income | $ 95,076 |
| (Increase) decrease in operating assets: | |
| Accounts receivable | ( 26,629) |
| Prepaid tax | ( 1,907) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | ( 84) |
| State taxes payable | ( 7,326) |
| Payroll liabilities | 1,905 |
| Accrued payroll | 52,973 |
| Deferred revenues | ( 22,155) |
| Net cash provided by operating activities | $ 91,853 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies:

#### Nature of Operations

Tailwaggers Franchise Trio, LLC (Company) was formed under the laws of the state of Wisconsin and became registered on November 7, 2006, to sell franchise rights of Tailwagger's Doggy Daycare companies.

#### Accounting for Franchisor

The Company is a franchisor of Tailwagger's Doggy Daycare companies. The franchise agreements are for seven years with renewal options for four successive terms of seven years, such that the total term of the franchise shall not exceed thirty-five years.

Initial and continuing franchise fee revenue from individual franchisees is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Franchisees report and pay continuing franchise fees monthly.

The Company did sell one new franchise agreements during 2024, for an existing franchisee that was sold to a new owner. There were eight franchised outlets operating during 2024.

#### Concentrations of Credit Risk

The Company maintains its bank accounts at one financial institution in the Fox Valley area. Aggregate deposits at the bank are insured by the National Credit Union Administration up to $250,000 per financial institution. The Company's cash deposits did exceed these federally insured limits during the year. The Company has not experienced any losses on these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

#### Basis of Accounting

Tailwaggers Franchise Trio, LLC uses the accrual basis of accounting.

#### Income Taxes

The Company is a limited liability company and, as such, does not incur federal or state income taxes. Instead, its earnings and losses are included in the personal tax returns of the members.

#### Use of Estimates

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

#### Revenue Recognition

Franchise fee revenue is received when a contract for a new franchise is signed and is fully recognized once the new franchise is operating. Franchise fees received in advance of the effective date of the franchise agreement are recorded as deferred revenue until the new franchise is operating. Costs by the Company to get a new franchise operating are disclosed as part of operating costs.

Royalties revenue is recognized when earned, which is at the end of each month based on a percentage of the franchisee's sales. The revenue is due from the franchisees by the 15$^{th}$ of the following month.

**Note 1. Summary of Significant Accounting Policies - Continued:**

Advertising fund revenue is recognized when earned. It is received monthly based on a percentage of the applicable franchisee's revenue. The advertising fund is to be used to meet the costs of producing, maintaining, administering and directing consumer advertising and marketing activities. It may not be used to defray any of the Company's general operating expenses, but it may be used to cover activities reasonably related to the administration of the advertising fund, resources, or other activities that can be reasonably allocated to advertising and marketing or the administration of the advertising fund. Therefore, the revenue is earned when appropriate expenses are applied against it.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Advertising expense was $81,644 for 2024.

**Note 2. Prior Period Adjustment:**

As of December 31, 2023, the company made an entity election for Wisconsin tax purposes when they filed their S-Corp Form 5 Wisconsin income tax return. This election was made subsequent to the issuance of their previous financial statement. The effect of this election was to recognize $7,326 in Wisconsin tax expense, this resulted in a restatement of shareholder equity, Wisconsin tax payable and Wisconsin income tax expense. Prior to their entity election, they did not have either Wisconsin tax payable or Wisconsin tax expense.

**Note 3. Accounts Receivable:**

At December 31, 2024, the Company had accounts receivables from franchise fees, and the advertising fund in the amounts of $47,332. The receivables represent amounts due from six independent franchisees as of December 31, 2024. The amount of accounts receivables from royalties, franchise fees, and the advertising fund was $35,703 from five independent franchisees as of December 31, 2023. All amounts were considered collectible and no allowance for uncollectible royalties was deemed necessary for 2024 or 2023.

There was also a $15,000 from a related party entity, that is expected to be paid within the subsequent year.

**Note 4. Related-party Transactions:**

One of the franchisees (Menasha) has a majority ownership (98%) by the two main shareholders of Tailwaggers Franchise Trio, LLC. The franchise is operated by the minority owner. The terms of the franchise agreement are substantially similar to other franchisee agreements and as such were consummated on terms equivalent to those that prevail in arm's length transactions. Transactions with Menasha included $17,604 in advertising fund revenue and $44,009 in royalty revenue. The accounts receivable as of December 31, 2024 was $4,990 and $4,389 as of December 31, 2023. The deferred advertising revenue was $5,061 as of December 31, 2024.

**Note 5. Advertising Fund and Deferred Revenue:**

Per Note 1, receipts for the advertising fund are received on a monthly basis from applicable franchisees but are not earned until the funds are expended for advertising and activities related to advertising. Until expended for advertising and related activities, advertising fund receipts are considered deferred revenue and maintained as an advertising fund, until spent.

**Accounting for Advertising Fund**

| | |
|---|---|
| Advertising fund receipts | $ 112,145 |
| Advertising expense | ( 78,054) |
| Website | ( 367) |
| Printing expense | ( 1,767) |
| Allocation of labor | ( 48,025) |
| Automobile expense | ( 3,562) |
| Accounting services | ( 2,525) |
| Total | $ ( 22,155) |

The $22,155 represents the decrease in deferred revenue for the year ended December 31, 2024, so the advertising fund revenue is $134,300 for 2024. The deferred revenue decreased from $54,390 in 2023 to $32,235 for the year ended December 31, 2024.

**Note 6. Concentrations and Certain Risks and Uncertainties:**

For 2024, revenues from continuing franchise fees amounted to 71% of gross revenue, franchise advertising fees amounted to 25% and franchise fees represented 4% of gross revenue.

Royalty receivables potentially expose the Company to a concentration of risk. The Company charges a percentage of the services sold by the franchisees in the normal course of business and these payments are by contract due on a monthly basis. There are eight franchises, all eight of them had a concentration greater than 10% ranging from 10% to 15%.

Two owners own more than one franchise. One owner owns two franchises which were 27% of revenue. Another owner owns three franchises which represented 36% of revenue.

Six of the eight franchises are located in the Green Bay/Appleton area and seven of the eight franchises are in Wisconsin.

**Note 7. Litigation:**

The Company has no pending or threatening litigation, claims or assessments.

**Note 8. Subsequent Events:**

Management has evaluated all subsequent events through July 22, 2025, the date on which the financial statements were available to be issued.

# TAILWAGGERS FRANCHISE
# TRIO, LLC

## MENASHA, WISCONSIN

## AUDITED FINANCIAL STATEMENTS

## DECEMBER 31, 2023

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

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# Erickson & Associates, S.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Members
Tailwaggers Franchise Trio, LLC
Menasha, Wisconsin

We have audited the accompanying financial statements of Tailwaggers Franchise Trio, LLC (a Wisconsin Limited Liability Company), which comprise the balance sheet as of December 31, 2023, and the related statements of income, shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for our Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
July 9, 2024

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## BALANCE SHEET
December 31, 2023

### ASSETS

| | |
|---|---|
| Current assets: | |
| Cash | $ 193,554 |
| Accounts receivable | 35,703 |
| Total assets | $ 229,257 |

### LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|---|---|
| Current liabilities: | |
| Note payable to former shareholder | $ 669 |
| Accounts payable | 12,176 |
| Payroll liabilities | 369 |
| Accrued payroll | 5,634 |
| Deferred revenues | 54,390 |
| Total current liabilities | 73,238 |
| Long term liabilities: | |
| Due to shareholder | 30,951 |
| Total liabilities | 104,189 |
| Capital stock | 2,000 |
| Shareholders' equity | 123,068 |
| Total liabilities and shareholders' equity | $ 229,257 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF INCOME
For the Year Ended December 31, 2023

| | |
|---|---|
| Royalties | $ 388,427 |
| Advertising fund | 93,273 |
| Total revenue | 481,700 |
| Operating expenses: | |
| Advertising and promotion | 87,941 |
| New franchise sales advertising | 20,157 |
| Bank service charge | 71 |
| Computer support | 2,672 |
| Insurance | 3,238 |
| Legal and accounting fees | 23,090 |
| Licenses and permits | 526 |
| Franchise support | 8,856 |
| Meeting expense | 13,048 |
| Office expense | 7,897 |
| Wages | 172,209 |
| Payroll taxes and expenses | 16,130 |
| Telephone | 1,459 |
| Repairs and maintenance | 32 |
| Automobile expense | 15,249 |
| Travel | 16,434 |
| Total operating expenses | 389,009 |
| Operating income | 92,691 |
| Other income (expense): | |
| Miscellaneous expense | ( 70) |
| Interest income | 132 |
| Interest expense | ( 99) |
| Total other expense | ( 37) |
| Net income | $ 92,654 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2023

| | Tara Morey | Kristin Schlosser | Totals |
|---|---|---|---|
| Balance, December 31, 2022 | $ 81,696 | $ 81,696 | $ 163,392 |
| Deduct: | | | |
| Cash distributions | ( 66,489) | ( 66,489) | ( 132,978) |
| Net income for the year | 46,327 | 46,327 | 92,654 |
| Balance, December 31, 2023 | $ 61,534 | $ 61,534 | $ 123,068 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

| | |
|---|---|
| Cash flows from operating activities: | |
| Revenues received | $ 486,969 |
| Cash paid for operating activities | ( 381,733) |
| Interest income received | 132 |
| Cash paid for interest costs incurred | ( 99) |
| Net cash provided by operating activities | 105,269 |
| Cash flows from financing activities: | |
| Principal payments on long term debt | ( 1,376) |
| Proceeds from long term debt | 13,859 |
| Distributions to members | ( 132,978) |
| Net cash used in financing activities | ( 120,495) |
| Net increase in cash | ( 15,226) |
| Cash balance, beginning of year | 208,780 |
| Cash balance, end of year | $ 193,554 |

## RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | | |
|---|---|---|
| Net income | $ | 92,654 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | ( | 13,151) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | | 8,300 |
| Payroll liabilities | ( | 1,258) |
| Accrued payroll | | 234 |
| Deferred revenues | | 18,490 |
| Net cash provided by operating activities | $ | 105,269 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies:

#### Nature of Operations

Tailwaggers Franchise Trio, LLC (Company) was formed under the laws of the state of Wisconsin and became registered on November 7, 2006, to sell franchise rights of Tailwagger's Doggy Daycare companies.

#### Accounting for Franchisor

The Company is a franchisor of Tailwagger's Doggy Daycare companies. The franchise agreements are for seven years with renewal options for four successive terms of seven years, such that the total term of the franchise shall not exceed thirty-five years.

Initial and continuing franchise fee revenue from individual franchisees is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Franchisees report and pay continuing franchise fees monthly.

The Company did not sell any new franchise agreements during 2023. There were eight franchised outlets operating during 2023.

#### Concentrations of Credit Risk

The Company maintains its bank accounts at one financial institution in the Fox Valley area. Aggregate deposits at the bank are insured by the National Credit Union Administration up to $250,000 per financial institution. The Company's cash deposits did exceed these federally insured limits during the year. The Company has not experienced any losses on these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

#### Basis of Accounting

Tailwaggers Franchise Trio, LLC uses the accrual basis of accounting.

#### Income Taxes

The Company is a limited liability company and, as such, does not incur federal or state income taxes. Instead, its earnings and losses are included in the personal tax returns of the members.

#### Use of Estimates

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

#### Revenue Recognition

Franchise fee revenue is received when a contract for a new franchise is signed and is fully recognized once the new franchise is operating. Franchise fees received in advance of the effective date of the franchise agreement are recorded as deferred revenue until the new franchise is operating.

Royalties revenue is recognized when earned, which is at the end of each month based on a percentage of the franchisee's sales. The revenue is due from the franchisees by the 15$^{th}$ of the following month.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

**Note 1. Summary of Significant Accounting Policies - Continued:**

Advertising fund revenue is recognized when earned. It is received monthly based on a percentage of the applicable franchisee's revenue. The advertising fund is to be used to meet the costs of producing, maintaining, administering and directing consumer advertising and marketing activities. It may not be used to defray any of the Company's general operating expenses, but it may be used to cover activities reasonably related to the administration of the advertising fund, resources, or other activities that can be reasonably allocated to advertising and marketing or the administration of the advertising fund. Therefore, the revenue is earned when appropriate expenses are applied against it.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Advertising expense was $87,941 for 2023.

**Note 2. Accounts Receivable:**

At December 31, 2023, the Company had accounts receivables from franchise fees, and the advertising fund in the amounts of $35,703. The receivables represent amounts due from five independent franchisees as of December 31, 2023. The amount of accounts receivables from royalties, franchise fees, and the advertising fund was $22,552 from eight independent franchisees as of December 31, 2022. All amounts were considered collectible and no allowance for uncollectible royalties was deemed necessary for 2023 or 2022.

**Note 3. Long-term Debt:**

Long-term debt consisted of the following at December 31, 2023:

| | |
|---|---|
| Note payable - Joan Kerr (former member) - due in monthly installments of $117, which includes interest at 2.0%. | $ 674 |
| Current portion | 674 |
| Net long-term debt | $ -- |

Future principal payments are as follows for the years ended December 31:

| | |
|---|---|
| 2024 | $ 674 |

**Note 4. Related-party Transactions:**

One of the franchisees (Menasha) has a majority ownership (98%) by the two main shareholders of Tailwaggers, Franchise Trio, LLC. The franchise is operated by the minority owner. The terms of the franchise agreement are substantially similar to other franchisee agreements and as such were consummated on terms equivalent to those that prevail in arm's length transactions. Transactions with Menasha included $16,986 in advertising fund revenue and $42,465 in royalty revenue. The accounts receivable as of December 31, 2022 was $4,389 and was $0 as of December 31, 2022. The deferred advertising revenue was $8,266 as of December 31, 2023.

**Note 5. Advertising Fund and Deferred Revenue:**

Per Note 1, receipts for the advertising fund are received on a monthly basis from applicable franchisees but are not earned until the funds are expended for advertising and activities related to advertising. Until expended for advertising and related activities, advertising fund receipts are considered deferred revenue and maintained as an advertising fund, until spent.

**Accounting for Advertising Fund**

| | |
|---|---|
| Advertising fund receipts | $ 111,763 |
| Advertising expense | ( 58,827) |
| Allocation of labor | ( 27,300) |
| Automobile expense | ( 5,146) |
| Accounting services | ( 2,000) |
| Total | $ 18,490 |

The $18,490 represents the increase in deferred revenue for the year ended December 31, 2023, so the advertising fund revenue is $93,273 for 2023. The deferred revenue increased from $35,900 in 2022 to $54,390 for the year ended December 31, 2023.

**Note 6. Concentrations and Certain Risks and Uncertainties:**

For 2023, revenues from continuing franchise fees amounted to 78% of gross revenue and franchise advertising fees amounted to 22%.

Royalty receivables potentially expose the Company to a concentration of risk. The Company charges a percentage of the services sold by the franchisees in the normal course of business and these payments are by contract due on a monthly basis. There are eight franchises, all eight of them had a concentration greater than 10% ranging from 10% to 15%.

Two owners own more than one franchise. One owner owns two franchises which were 27% of royalty revenue. Another owner owns three franchises which represented 44% of royalty revenue.

Six of the eight franchises are located in the Green Bay/Appleton area and seven of the eight franchises are in Wisconsin.

**Note 7. Litigation:**

The Company has no pending or threatening litigation, claims or assessments.

**Note 8. Subsequent Events:**

Management has evaluated all subsequent events through July 9, 2024, the date on which the financial statements were available to be issued.

# TAILWAGGERS FRANCHISE
# TRIO, LLC

## MENASHA, WISCONSIN

## AUDITED FINANCIAL STATEMENTS

## DECEMBER 31, 2022

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

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## INDEPENDENT AUDITOR'S REPORT

To the Members
Tailwaggers Franchise Trio, LLC
Menasha, Wisconsin

We have audited the accompanying financial statements of Tailwaggers Franchise Trio, LLC (a Wisconsin Limited Liability Company), which comprise the balance sheet as of December 31, 2022, and the related statements of income, shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for our Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
September 5, 2023

TAILWAGGERS FRANCHISE TRIO, LLC
MENASHA, WISCONSIN

BALANCE SHEET
December 31, 2022

## ASSETS

| | |
|---|---|
| Current assets: | |
| Cash | $ 208,780 |
| Accounts receivable | 22,552 |
| Total assets | $ 231,332 |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|---|---|
| Current liabilities: | |
| Current portion of long term debt | $ 1,375 |
| Accounts payable | 3,876 |
| Payroll liabilities | 1,627 |
| Accrued payroll | 5,400 |
| Deferred revenues | 35,900 |
| Total current liabilities | 48,178 |
| Long term liabilities: | |
| Non-current portion of long term debt | 670 |
| Due to shareholder | 17,092 |
| Total liabilities | 65,940 |
| Capital stock | 2,000 |
| Shareholders' equity | 163,392 |
| Total liabilities and shareholders' equity | $ 231,332 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF INCOME
For the Year Ended December 31, 2022

| | |
|---|---|
| Royalties | $ 366,722 |
| Advertising fund | 119,905 |
| Total revenue | 486,627 |
| Operating expenses: | |
| Advertising and promotion | 75,939 |
| New franchise sales advertising | 19,332 |
| Bank service charge | 146 |
| Computer support | 1,475 |
| Insurance | 696 |
| Legal and accounting fees | 8,930 |
| Licenses and permits | 26 |
| Franchise support | 6,420 |
| Meeting expense | 10,580 |
| Office expense | 7,996 |
| Wages | 135,038 |
| Payroll taxes | 10,285 |
| Telephone | 3,349 |
| Automobile expense | 29,261 |
| Travel | 19,875 |
| Total operating expenses | 329,348 |
| Operating income | 157,279 |
| Other income (expense): | |
| Miscellaneous expense | ( 402) |
| Interest income | 161 |
| Interest expense | ( 56) |
| Total other expense | ( 297) |
| Net income | $ 156,982 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2022

| | Tara Morey | Kristin Schlosser | Totals |
|---|---|---|---|
| Balance, December 31, 2021 | $ 168,511 | $ 168,511 | $ 337,022 |
| Deduct: | | | |
| Cash distributions | ( 165,306) | ( 165,306) | ( 330,612) |
| Net income for the year | 78,491 | 78,491 | 156,982 |
| Balance, December 31, 2022 | $ 81,696 | $ 81,696 | $ 163,392 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

| | |
|---|---|
| Cash flows from operating activities: | |
| Revenues received | $ 478,247 |
| Cash paid for operating activities | ( 326,114) |
| Interest income received | 161 |
| Cash paid for interest costs incurred | ( 56) |
| Net cash provided by operating activities | 152,238 |
| Cash flows from financing activities: | |
| Principal payments on long term debt | ( 12,948) |
| Advances from shareholder | 15,470 |
| Distributions to members | ( 330,612) |
| Net cash used in financing activities | ( 328,090) |
| Net increase in cash | ( 175,852) |
| Cash balance, beginning of year | 384,632 |
| Cash balance, end of year | $ 208,780 |

## RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|---|
| Net income | $ 156,982 |
| (Increase) decrease in operating assets: | |
| Accounts receivable | 4,490 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | ( 2,609) |
| Payroll liabilities | 443 |
| Accrued payroll | 5,400 |
| Deferred revenues | ( 12,468) |
| Net cash provided by operating activities | $ 152,238 |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies:

**Nature of Operations**

Tailwaggers Franchise Trio, LLC (Company) was formed under the laws of the state of Wisconsin and became registered on November 7, 2006, to sell franchise rights of Tailwagger's Doggy Daycare companies.

**Accounting for Franchisor**

The Company is a franchisor of Tailwagger's Doggy Daycare companies. The franchise agreements are for seven years with renewal options for four successive terms of seven years, such that the total term of the franchise shall not exceed thirty-five years.

Initial and continuing franchise fee revenue from individual franchisees is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Franchisees report and pay continuing franchise fees monthly.

The Company did not sell any new franchise agreements during 2022. There were eight franchised outlets operating during 2022.

**Concentrations of Credit Risk**

The Company maintains its bank accounts at one financial institution in the Fox Valley area. Aggregate deposits at the bank are insured by the National Credit Union Administration up to $250,000 per financial institution. The Company's cash deposits did exceed these federally insured limits during the year. The Company has not experienced any losses on these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

**Basis of Accounting**

Tailwaggers Franchise Trio, LLC uses the accrual basis of accounting.

**Income Taxes**

The Company is a limited liability company and, as such, does not incur federal or state income taxes. Instead, its earnings and losses are included in the personal tax returns of the members.

**Use of Estimates**

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

**Revenue Recognition**

Franchise fee revenue is received when a contract for a new franchise is signed and is fully recognized once the new franchise is operating. Franchise fees received in advance of the effective date of the franchise agreement are recorded as deferred revenue until the new franchise is operating.

Royalties revenue is recognized when earned, which is at the end of each month based on a percentage of the franchisee's sales. The revenue is due from the franchisees by the 15$^{th}$ of the following month.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

**Note 1. Summary of Significant Accounting Policies - Continued:**

Advertising fund revenue is recognized when earned. It is received monthly based on a percentage of the applicable franchisee's revenue. The advertising fund is to be used to meet the costs of producing, maintaining, administering and directing consumer advertising and marketing activities. It may not be used to defray any of the Company's general operating expenses, but it may be used to cover activities reasonably related to the administration of the advertising fund, resources, or other activities that can be reasonably allocated to advertising and marketing or the administration of the advertising fund. Therefore, the revenue is earned when appropriate expenses are applied against it.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Advertising expense was $75,939 for 2022.

**Note 2. Accounts Receivable:**

At December 31, 2022, the Company had accounts receivables from franchise fees, and the advertising fund in the amounts of $22,522. The receivables represent amounts due from five independent franchisees as of December 31, 2022. The amount of accounts receivables from royalties, franchise fees, and the advertising fund was $27,042 from seven independent franchisees as of December 31, 2021. All amounts were considered collectible and no allowance for uncollectible royalties was deemed necessary for 2022 or 2021.

**Note 3. Long-term Debt:**

Long-term debt consisted of the following at December 31, 2022:

| | |
|---|---|
| Note payable - Joan Kerr (former member) - due in monthly installments of $117, which includes interest at 2.0%. | $ 2,045 |
| Current portion | 1,375 |
| Net long-term debt | $ 670 |

Future principal payments are as follows for the years ended December 31:

| | |
|---|---|
| 2023 | $ 1,375 |
| 2024 | 670 |
| Total | $ 2,045 |

**Note 4. Related-party Transactions:**

One of the franchisees (Menasha) has a majority ownership (98%) by the two main shareholders of Tailwaggers, Franchise Trio, LLC. The franchise is operated by the minority owner. The terms of the franchise agreement are substantially similar to other franchisee agreements and as such were consummated on terms equivalent to those that prevail in arm's length transactions. Transactions with the Menasha included $18,992 in advertising fund revenue and $42,545 in royalty revenue. The accounts receivable as of December 31, 2022, was $0 and was $5,054 as of December 31, 2021. The deferred advertising revenue was $5,685 as of December 31, 2022.

**Note 5. Advertising Fund and Deferred Revenue:**

Per Note 1, receipts for the advertising fund are received on a monthly basis from applicable franchisees but are not earned until the funds are expended for advertising and activities related to advertising. Until expended for advertising and related activities, advertising fund receipts are considered deferred revenue and maintained as an advertising fund, until spent.

**Accounting for Advertising Fund**

| | |
|---|---|
| Advertising fund receipts | $ 107,437 |
| Advertising expense | ( 71,887) |
| Allocation of labor | ( 26,158) |
| Automobile expense | ( 14,625) |
| Accounting services | ( 2,333) |
| Web site maintenance | ( 4,052) |
| Brochure printing | ( 850) |
| Total | $ ( 12,468) |

The $12,468 represents the decrease in deferred revenue for the year ended December 31, 2022, so the advertising fund revenue is $119,905 for 2022. The deferred revenue decreased from $48,368 in 2021 to $35,900 for the year ended December 31, 2022.

**Note 6. Concentrations and Certain Risks and Uncertainties:**

For 2022, revenues from continuing franchise fees amounted to 75% of gross revenue and franchise advertising fees amounted to 25%.

Royalty receivables potentially expose the Company to a concentration of risk. The Company charges a percentage of the services sold by the franchisees in the normal course of business and these payments are by contract due on a monthly basis. There are eight franchises, five of them had a concentration greater than 10% ranging from 10% to 17%.

Two owners own more than one franchise. One owner owns two franchises which were 25% of royalty revenue. Another owner owns three franchises which represented 37% of royalty revenue.

Six of the eight franchises are located in the Green Bay/Appleton area and seven of the eight franchises are in Wisconsin.

**Note 7. Litigation:**

The Company has no pending or threatening litigation, claims or assessments.

**Note 8. Subsequent Events:**

Management has evaluated all subsequent events through September 5, 2023, the date on which the financial statements were available to be issued.

# TAILWAGGERS FRANCHISE TRIO, LLC

# LIST OF TERMINATED FRANCHISEES

EXHIBIT F TO THE DISCLOSURE DOCUMENT

There are no franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

## EXHIBIT G TO DISCLOSURE DOCUMENT

# FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, TailWaggers Franchise Trio, LLC and you are preparing to enter into a Franchise Agreement for the operation of a franchised business. In this Franchisee Disclosure Questionnaire, TailWaggers Franchise Trio, LLC will be referred to as "we" or "us." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed TailWaggers Franchise Trio, LLC Franchise Agreement and each exhibit, addendum and schedule attached to it?
   Yes_____No _____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?
   Yes_____No _____

   If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

   _____

   _____

   _____

   _____

   _____

   _____

   _____

   _____

3. Have you received and personally reviewed our Disclosure Document we provided to you?
   Yes_____No _____

4. Do you understand all of the information contained in the Disclosure Document?
   Yes_____No _____

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

_____

_____

_____

_____

5. Have you discussed the benefits and risks of operating the franchised business with an attorney, accountant or other professional advisor and do you understand those risks?
Yes_____No _____

6. Do you understand that the success or failure of your 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 businessfactors?
Yes No _____

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the franchised business that we or our franchisees operate?
Yes No _____

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a franchised business that is contrary to, or different from, the information contained in the Disclosure Document?
Yes No _____

9. 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 franchised business?
Yes No _____

10. 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, or different from, the information contained in the Disclosure Document?
Yes No _____

11. If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of these questions, please leave the following lines blank.

_____

_____

_____

_____

_____

_____

_____

_____

_____

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?
Yes No _____

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

_____
Name of Franchisee/Applicant

Date:_____, 20_____

_____
Signature

_____
Name and Title of Person Signing

# TAILWAGGERS FRANCHISE TRIO, LLC

# MULTI-STATE ADDENDA

EXHIBIT H TO THE DISCLOSURE DOCUMENT

**TAILWAGGERS FRANCHISE TRIO, LLC**
**UNIFORM FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF CALIFORNIA**

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

2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the franchisor, any person or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

3. ITEM 17 of the Disclosure Document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

- The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

- The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.

- The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

- The Franchise Agreement requires application of the laws of a state other than the State of California. This provision might not be enforceable under California law.

- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

- The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in ITEM 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

- The following URL address is for the franchisor's website:

  www.tailwaggersddc.com

  FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**FOR THE STATE OF CONNECTICUT MENASHA, WISCONSIN**

1. ITEM 3 is amended to read asfollows:

   - Neither the Franchisor nor any person identified in ITEMS 1 or 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.

   - Neither the Franchisor nor any other person identified in ITEMS 1 or 2 above has during the ten (10) year period immediately preceding the date of this Disclosure Document, been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.

   - Neither the Franchisor nor any person identified in ITEMS 1 or 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state or Canadian franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.

   - Neither Company nor any person identified in ITEM 2 above is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities & Exchange Act of 1934) suspending or expelling these persons from membership in the association orexchange.

2. ITEM 4 is amended to read asfollows:

   - During the 10 year period immediately before the date of the Disclosure Document neither Company nor Affiliate, or current officer or general partner of Company, has (a) filed as debtor (or had filed against it) a petition to start an action under the United States Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that ever filed as a debtor (or had filed against it) a petition to start an action under the United States Bankruptcy Code, or that obtained a discharge of its debts under the Bankruptcy Code during or within 1 year after the officer or general partner of Company held this position in the debtorcompany.

**FOR THE STATE OF HAWAII**

# TAILWAGGERS FRANCHISE TRIO, LLC
# MENASHA, WISCONSIN

1. The following list reflects the status of our franchise registrations in the states that have franchise registration and/or disclosure laws:

- This registration is not currently effective in any state.
- This proposed registration is on file with or will shortly be on file with the States of California, Connecticut, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington and Wisconsin.
- There are no states that have refused, by order or otherwise, to register these franchises.
- There are no states that have revoked or suspended the right to offer these franchises.

2. The Franchise Agreement has been amended as follows:

- The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, and more specifically, Sections **Error! Reference source not found.** and **Error! Reference source not found.** and **Error! Reference source not found.**, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.** of the Franchise Agreement require franchisee to sign a general release as a condition of renewal or transfer of the franchise and Sections **Error! Reference source not found.**, **Error! Reference source not found.**and **Error! Reference source not found.** require franchisee to sign a general release as a condition to receiving a refund of a portion of the initial franchise fee following a termination of the franchise; this release shall exclude claims arising under the Hawaii Franchise Investment Law.
- Section **Error! Reference source not found.** of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

3. The Receipt Pages are amended to addthe following:

- THIS FRANCHISE WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
- THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THEFRANCHISE.
- THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

**FOR THE STATE OF ILLINOIS**

- For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.

- No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire.

- Illinois law governs the Franchise Agreement (without regard to conflict of laws), and jurisdiction and venue for court litigation shall be in Illinois.

- Any provision in the Franchise Agreement requiring a general release is void if the provision requires a waiver of compliance with the Illinois Franchise Disclosure Act.

- Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void.

Due to our financial condition, the Illinois Attorney General's Office has required and we have agreed to defer collection of all initial fees as described in ITEM 5 of the Disclosure Document until we have completed all of our pre-opening obligations to you and you are open for business.

ITEM 17 of the Disclosure Document is amended to add the following:

- The conditions under which a franchise can be terminated and your rights upon non-renewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20.

- The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

ITEM 23 of the Disclosure Document is amended to add the following:

- There is a 14-calendar day minimum disclosure period before the signing of a binding agreement or any payment to the franchisor.

**FOR THE STATE OF INDIANA**

# TAILWAGGERS FRANCHISE TRIO, LLC
# MENASHA, WISCONSIN

1. ITEM 8 of the Disclosure Document is amended to add the following:

   - Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.

2. ITEMS 6 and 9 of the Disclosure Document is amended to add the following:

   - The franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.

3. ITEM 17 of the Disclosure Document is amended to add the following:

   - Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

   - Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

   - ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.

   - ITEM 17(v) is amended to provide that Franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.

   - ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

**FOR THE STATE OF MARYLAND**

1. ITEM 17 of the Disclosure Document is amended to add the following:

   - Under the Maryland Franchise Registrations and Disclosure Law, Md. Code Ann. Bus. Reg. §14-201 et seq., no general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims under the Maryland Franchise Registration and Disclosure Law.

   - Any litigation between Franchisee and Franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

   - Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

   - In the event of a conflict of laws if required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

   - The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Exhibit G to the Disclosure Document is amended as follows:

   - Any portion of the Disclosure Questionnaire which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any of these representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**FOR THE STATE OF MICHIGAN** **MENASHA, WISCONSIN**

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

- A prohibition of your right to join an association of Franchisees.
- A requirement that you assent to a release, assignment, novation, waiver or estoppel that deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- A provision that permits us to terminate a franchise before the expiration of this term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice of the failure and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- A provision that permits us to refuse to renew a franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if: (a) the term of the franchise is less than 5 years, and (b) you are prohibited by the franchise agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- A provision that permits us to refuse to renew a franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- A provision requiring that litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of litigation, to conduct litigation at a location outside this state.
- A provision that permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - The failure of the proposed transferee to meet our then-currentreasonable qualifications or standards.
  - The fact that the proposed transferee is our or Subfranchisor's competitor.
  - The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - Your or proposed transferee's failure to pay us any sums or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us a right of first refusal to

purchase the assets of a franchise at the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value and has failed to cure the breach in the manner provided in ITEM 17 (g).

- A provision that permits us to directly or indirectly convey, assign or otherwise transfer our obligations to fulfill contractual obligations to you unless a provision has been made for providing the required contractual services.

2. If our most recent financial statements are unaudited and show a net worth of lessthan $100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our obligations, if any, to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At our option, a surety bond may be provided in place ofescrow.

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

4. Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
670 Law Building
Lansing, MI 48913
(517) 373-3800

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

**FOR THE STATE OF MINNESOTA**

1. ITEM 13 of the Disclosure Document is amended as follows:

   - As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the marks, so long as you were using the marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. ITEM 17 of the Disclosure Document is amended as follows:

   - With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.

   - ITEM 17 shall not provide for a prospective general release of claims against us that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

   - Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

# TAILWAGGERS FRANCHISE TRIO, LLC
## FOR THE STATE OF NEW YORK MENASHA, WISCONSIN

1. All references made herein to an "Disclosure Document" shall be replaced with the term "Offering Prospectus" as used under New York Law.

2. The UFOC Cover Page is amended as follows:

- **REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, 120 BROADWAY, NEW YORK, NEW YORK 10271-0332. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**

- **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE CIRCULAR. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS CIRCULAR.**

3. ITEM 3 is amended by the addition of the following language:

- Neither franchisor, the franchisor's predecessor or an affiliate offering franchises under the franchisor's principal trademark, nor any person identified in ITEM 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither franchisor nor any person identified in ITEM 2 has any pending actions, other than routine litigation incidental to the business, that are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

- Neither franchisor, the franchisor's predecessor or an affiliate offering franchises under the franchisor's principal trademark, nor any person identified in ITEM 2 has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been held liable in a civil action by final judgment or been the subject of a material compliant or other legal proceeding involving violation of any franchise law, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- Neither franchisor, the franchisor's predecessor or an affiliate offering franchises under the franchisor's principal trademark, nor any person identified in ITEM 2 is subject to any injunctive or restrictive order or decree relating to the franchises, or any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency.

4. ITEM 4 is amended to state that:

- Neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Disclosure Document, has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the

Bankruptcy Code; (c) was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

5. ITEM 5 of the Disclosure Document is amended to add the following:

- The initial franchise fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the franchised business for business.

6. ITEMS 6 and 11 of the Disclosure Document are amended to add the following:

- The franchisee will not be required to indemnify franchisor for any liability imposed on franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.

7. ITEM 17 of the Disclosure Document is amended to add the following:

- No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.

- ITEM 17(d) is amended to provide that you may terminate the Agreement on any grounds available by law.

- ITEM 17(j) is amended to state, that no assignment will be made except to an assignee who, in the good faith judgment of Franchisor, is able to assume our obligations under the Agreement.

- ITEM 17(w) is amended to state that New York Law governs any cause of action that arises under the New York General Business Law, Article 33, Section 680-695.

8. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

**TAILWAGGERS FRANCHISE TRIO, LLC**

**FOR THE STATE OF NORTH DAKOTA MENASHA, WISCONSIN**

1. ITEM 5 of the Disclosure Document is amended by the addition of the following language to the original language:

- Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

2. ITEM 6 of the Disclosure Document is amended to add the following:

- No consent to termination or liquidated damages shall be required from franchisees in the State of North Dakota.

3. ITEM 17 of the Disclosure Document is amended to add the following:

- No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under North Dakota Law.

- In the case of any enforcement action, the prevailing party is entitled to recover all costs and expenses including attorneys' fees.

- The Franchise Agreement is amended to state that the statute of limitations under North Dakota Law will apply.

- ITEMS 17(i) and 17(q) are amended to state that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

- ITEM 17(v) is amended to state a provision requiring litigation to be conducted in a forum other than North Dakota is void with respect to claims under North Dakota Law.

- ITEM 17(w) is amended to state in the event of a conflict of laws, North Dakota Law will control.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

**FOR THE STATE OF RHODE ISLAND**

ITEM 17 of the Disclosure Document is amended to add the following:

- The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

- Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**FOR THE STATE OF WASHINGTON MENASHA, WISCONSIN**

ITEM 17 of the Disclosure Document is amended to add the following:

- In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shallprevail.

- A general release or waiver of rights signed by you will not include rights under the Washington Franchise Investment Protection Act.

- Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act including the right to a jury trial may not be enforceable.

- Transfer fees are collectable if they reflect our reasonable estimated or actual costs in effecting a transfer.

- The Franchise Agreement requires any litigation to be conducted in a state other than Washington; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.

**TAILWAGGERS FRANCHISE TRIO, LLC**
**MENASHA, WISCONSIN**

**FOR THE STATE OF WISCONSIN**

ITEM 17 of the Disclosure Document is amended to add the following:

- The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07may affect the termination provision of the Franchise Agreement.

# TAILWAGGERS FRANCHISE TRIO, LLC
Receipt
# MENASHA, WISCONSIN

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If TailWaggers Franchise Trio, LLC offers you a franchise, TailWaggers Franchise Trio, LLC 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 unless otherwise stated in your state's addendum.

If TailWaggers Franchise Trio, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise:

Tara Morey, W6159 Schroth Lane, Greenville, WI 54942, 920-882-8000.

Kristin Schlosser, W6159 Schroth Lane, Greenville, WI 54942, 920-882-8000.

The effective date of this Disclosure Document is October 25, 2007 or the effective date in your state, whichever is later.

I have received a Uniform Franchise Disclosure Document including the following exhibits on the date listed below:

A. List of State Administrators; State Disclosure Document Effective Dates
B. List of State Agents For Service of Process
C. Franchise Agreement
D. Table of Contents of Operations Manual
E. Financial Statements
F. List of Terminated Franchisees
G. Franchisee Disclosure Questionnaire
H. Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to TailWaggers Franchise Trio, LLC and keep the other for your records.

_____
Date of Receipt

_____
Print Name

_____
Signature

Return to:

(individually or as an officer, member or partner of)

TailWaggers Franchise Trio, LLC
W6159 Schroth Lane

_____

Greenville, Wisconsin 54942

(Name of corporation, limited liability company or partnership)
a_____corporation
(State of incorporation)
a limited liability company (State of organization)
a partnership (State where partnership formed)

# TAILWAGGERS FRANCHISE TRIO, LLC
# MENASHA, WISCONSIN

## Receipt

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Return to:

(individually or as an officer, member or partner of)

TailWaggers Franchise Trio, LLC

W6159 Schroth Lane Greenville,
Wisconsin 54942

_____
(Name of corporation, limited liability company or partnership)

a _____ corporation
(State of incorporation)
a limited liability company (State of organization)
a partnership (State where partnership formed)

-- LAST PAGE --