Franchise Disclosure Document

The Ark Franchising, LLC
3847 Hixson Pike
Chattanooga, TN 37415
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We offer franchises specializing in pet boarding, dog day care, pet grooming and related products and services under the trade names "The Ark Pet Spa & Hotel". The total investment necessary to begin operation of The Ark Pet Spa & Hotel is $353,595 to $870,833. This includes an initial franchise fee of $37,125 to $49,500 (depending on how many franchises you purchase) that must be paid to franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mr. John L. Floyd, Jr., Managing Member, The Ark Pet Spa & Hotel Franchising, LLC, 3847 Hixson Pike, Chattanooga, TN 37415, telephone: (855) 611-7387.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information on franchising. 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. Contact your local agencies about additional franchising laws that may be required in your state.

Issuance Date: April 30, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	**Item 19** may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in **Exhibits H-1** and **H-2**.
How much will I need to invest?	**Items 5** and **6** list fees you will be paying to the franchisor or at the franchisor's direction. **Item 7** lists the initial investment to open. **Item 8** describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	**Exhibit B** includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	**Item 20** summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only the Ark Pet Spa & Hotel business in my area?	**Item 12** and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	**Items 3** and **4** tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Ark Pet Spa & Hotel ?	**Exhibits H-1** and **H-2** lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Tennessee. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Tennessee than in your own state.

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

Table of Contents:

EXHIBITS

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

To simplify the language in this Disclosure Document, the terms, "We," "Us," the "Company" or "The Ark" means The Ark Franchising, LLC, the franchisor. "You" or "Franchise Owner" means the person who buys a Franchise from us. If you are an entity, our Franchise Agreement also will apply to your owners.

The Franchisor, Its Predecessors and Affiliates

We are a Tennessee limited liability company formed on October 20, 2017. We have no parents or predecessors. However, we have several affiliates, including the following:

- Jaybird Partners, LLC (a real estate holding company formed in September, 2005)
- Ark Red Bank, LLC (location in Chattanooga, Tennessee formed in April, 2006)
- Ark East Brainerd, LLC (location in Chattanooga, Tennessee formed in November, 2011)
- Ark Doraville, LLC (location in Doraville, Georgia formed in May, 2015)
- Ark Hixson, LLC (location in Hixson, Tennessee formed in July, 2017)
- Ark Southside, LLC (location in Chattanooga, Tennessee formed in May, 2018)
- Ark Madison, LLC (location in Madison, Alabama formed in July, 2020)

We began offering franchises under the "Ark Pet Spa & Hotel" mark, associated logos, commercial symbols and other trade names, service marks and trademarks as now or are later designated as a part of the System (collectively, the "Proprietary Marks") specializing in pet boarding, dog day care, pet grooming, and offering certain specified retail products and services in January 2019 The distinguishing characteristics of our system (the "System") include, without limitation, distinctive business formats; procedures; the Confidential Operations Manual (the "Manual"); procedures for operations, accounting, and management; training and assistance; and advertising and promotional programs. We may change the System periodically. (For reference purposes in this Disclosure Document, we call the units in our System "Pet Spa & Hotels" and we call the unit that you will operate the "Franchise").

Our principal business address is 3847 Hixson Pike, Chattanooga, TN 37415 and the telephone number is (855) 611-7387.

We do business under our corporate name and "The Ark Pet Spa & Hotel". Although our affiliates own and operate Pet Spa & Hotels, we do not operate businesses of the type being franchised, nor do not engage in any other business activities other than offering, selling and supporting Pet Spa & Hotels. We have not offered franchises in other lines of business.

We do not have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

Agent for Service of Process

Our agent for service of process in Tennessee is Mr. John L. Floyd, Jr., 3847 Hixson Pike, Chattanooga, TN 37415 and telephone number (855) 611-7387. Our agents for service of process in other states are disclosed on **Exhibit A.**

The Ark Pet Spa & Hotel Franchise

Under the Franchise Agreement (the "Franchise Agreement"), which is **Exhibit C** to this Disclosure Document, you will develop and operate The Ark Pet Spa & Hotel business under the Proprietary Marks from a single location within a Territory (defined in **Item 12**).

We also offer qualified parties who have entered into a Franchise Agreement and wish to have the right to develop additional Pet Spa & Hotels in a specified Development Area (defined in **Item 12**) the ability to enter into an Area Development Agreement with us (a "Development Agreement"). The form of Development Agreement is attached to this Disclosure Document as **Exhibit D.**

If you sign a Development Agreement, you must agree to open more than one Franchise in the Development Area according to mutually agreed-upon schedule described in the Development Agreement (the "Development Schedule"). For each additional Franchise that you establish you will be required to enter into our then-current form of Franchise Agreement which could be materially different from the Franchise Agreement attached to this Disclosure Document. The Development Schedule will be mutually determined by you and us, based on a variety of factors, including demographics and economic factors related to the Development Area, expected demand for Pet Spa & Hotels, your desire and ability to develop and operate Pet Spa & Hotels, and other factors, and specified in the Development Agreement.

The Market and Competition

Your customers include pet owners with a focus on dog and cat owners. Sales are seasonal. The market for the services offered by your Franchise is very well developed and competitive. You will compete with other retail businesses which may offer similar products and services customers including local, independently owned dog day care and overnight boarding services, retail pet supply stores, groomers, dog walkers or similar operations and other regional and national chains offering similar products and services for dogs and cats.

Laws and Regulations

You must comply with all local, state and federal laws in addition to laws and regulations that apply to businesses generally, the Pet Spa & Hotel may be subject to federal, state and local laws, occupational safety and health regulations, Equal Employment Opportunity and Americans with Disabilities Act rules and regulations and state wage and hour laws. There may be other rules and regulations that may affect your business, including zoning laws, noise regulations, waste and runoff regulations, Federal and state septic and waste disposal regulations, kennel licensing and permits, the payment card industry data security standard (PCIDSS), and zoning variances.

Some jurisdictions may choose to regulate vigorously these and other laws that may adversely affect your ability to obtain the proper permits needed to open the Pet Spa & Hotel. Prior to signing the Franchise Agreement, we strongly recommend that you consult with local counsel to determine legal compliance regarding the establishment and operation of the Franchise in your Territory.

Item 2. BUSINESS EXPERIENCE

John L. Floyd, Jr. – Founder and Chief Executive Officer

John was our founder and has served as our CEO since January 2019. John founded The Ark Pet Spa & Hotel brand in 2006 and has been the active CEO of The Ark Pet Spa & Hotel's affiliate locations since 2006. All positions are held in Chattanooga, Tennessee.

Adam Harbin – Vice President of Development

Adam has been our Vice President of Development since January 2019. Since 2014, Adam has also held the responsibilities of Director of Marketing for The Ark Pet Spa & Hotel's affiliate locations. All positions are held in Chattanooga, Tennessee.

Sarah Rivas – Director of Operations

Sarah has been our Director of Franchise Operations since January 2019. She is also the Director of Operations for The Ark Pet Spa & Hotel's affiliate locations, a position she has held since June 2016. All positions are held in Chattanooga, Tennessee.

Julia Ellis – Franchise Support Manager

Julia joined the Company in September 2020 as the Franchise Support Manager. Prior to joining the Company, Julia was the front desk supervisor and a dental assistant for Coleman Orthodontics from August 2017 to June 2014. All positions are held in Chattanooga, Tennessee.

Alexandria Hickman – Director of Finance

Alexandria joined the Company in June 2021 as the Director of Finance. Prior to joining the Company, Alexandria was the accountant for Austin Hatcher Foundation for Pediatric Care from August 2020 to June 2021. Alexandria also worked as a staff accountant for Coker Tire from September 2018 to August 2020. Prior to that, Alexandria worked for Hutton as a staff and property accountant from September 2015 to September 2018. All positions are held in Chattanooga, Tennessee.

Item 3. LITIGATION

No litigation is required to be disclosed in this Item.

Item 4. BANKRUPTCY

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

Item 5. INITIAL FEES

Initial Franchise Fees

You must pay an initial franchise fee of $49,500. The initial franchise fee is uniformly charged and is payable in full at the time you sign the Franchise Agreement.

As part of the commitment to develop two or more Franchises, the Development Agreement will set forth the minimum number of Franchises you will develop and the dates by which each you must develop each one. When you sign the Development Agreement, you will be required to pay, in a lump sum, an amount equal to the initial franchise fee per Franchise multiplied by the number of Franchises you commit to develop and open under the Development Agreement, including the first Franchise to be developed under your initial Franchise Agreement.

For franchisees that sign a Development Agreement, we offer a reduction in the initial franchise fee as follows:

TOTAL NUMBER OF FRANCHISES THAT YOU COMMIT TO OPEN UNDER THE DEVELOPMENT AGREEMENT	INITIAL FRANCHISE FEE FOR EACH FRANCHISE DEVELOPED UNDER THE DEVELOPMENT AGREEMENT
2 or 3 Franchises	$39,600 (20% off)
4 or more Franchises	$37,125 (25% off)

You will not receive any discount based on any Franchise Agreement that you signed before signing the Development Agreement.

Initial franchise fees are not refundable.

Except as noted above, you do not pay us or our affiliates any other fees or payments for services or goods before your Franchise opens.

Item 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty	7% of the Weekly Gross Revenues	Payable by Tuesday of the following week	See Note 1 below

Name of Fee	Amount	Due Date	Remarks
Local Marketing Expenditures	Year 1: 3% of Monthly Gross Revenues, or $2,000, whichever is greater Year 2+: 2% of Monthly Gross Revenues or, $1,000, whichever is greater	Verification must be sent to us at start of each calendar quarter	See Note 2 below
Brand Marketing Fund	2% of Monthly Gross Revenues	By the 15th of the following month	See Note 3 below
Regional Marketing Cooperatives	Up to 2% of Monthly Gross Revenues (not currently charged)	By the 15th of the following month	See Note 4 below
Late Fee/Interest	$100 per incident plus 18% interest per year, or maximum allowed by law (whichever is less)	When payment is overdue	See Note 5 below
Additional Training, Assistance & Refresher Training	$300 to $600 per day plus reasonable travel expenses.	15 days after invoice	See Note 6 below
Renewal Fee	10% of then-current initial franchise fee	Upon signing new Franchise Agreement	See Note 7 below
Transfer Fee	Then-current initial franchise fee	Before transfer is effective	See Note 8 below
Attorneys' Fees and Costs	Actual fees and costs	After adjudication of legal matter	See Note 9 below
Supplier Approval	Actual costs of supplier approval	On demand	See Note 10 below
Audit Costs	Actual costs of audit plus interest on amount of overdue monies	On demand	See Note 11 below
Point of Sale/Operations Software	Actual costs (currently, $105/month)	On demand	See Note 12 below
Relocation Expenses	Actual costs of relocation	On demand	See Note 13 below

Name of Fee	Amount	Due Date	Remarks
Indemnification Fees	Actual costs of indemnification	On demand	See Note 14 below
Advertising Materials	A reasonable fee	On demand	See Note 15 below
Technology Fee	A reasonable fee (currently, $250-350 per month)	On demand	See Note 16 below
Extension Fee	$10,000	On demand	See Note 17 below.

Except as otherwise noted, all fees are imposed and collected by and payable to us. Except as noted in this Item, all fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

Note 1. Royalty

All Royalty Fees are payable on Tuesday of each week beginning the second week of your Franchise operations.

We offer reduced Royalty Fees of 3.5% of Gross Revenues (as defined below) for the first 6 months after opening for qualified veterans of the U.S. Armed Forces. A "qualified veteran" means any honorably discharged United States veteran with a DD Form 214 document. After the first 6 months after opening, the Royalty Fees rate will revert to the standard rate of 7% of Gross Revenues.

You will be required to execute the forms and complete the reasonable procedures we have established for a bank draft arrangement whereby we will be able to present a draft for the Royalty Fees, Brand Fund contributions and other amounts that you owe to us or our affiliates. You must have sufficient funds in your account for the bank draft to be honored by your bank or other financial institution and agree to advise us in advance of any change in your bank, financial institution or account. (See Attachment F to the Franchise Agreement for the form of Bank Draft Authorization to be executed by you).

The term "Gross Revenues" means the amount of all receipts for the sale of any products or services at your Franchise and income of every other kind and nature related to the Franchise, whether for products or services, cash, exchange, or credit, regardless of collection in a case of credit, less any refunds; provided, however, that "Gross Revenues" shall not include any sales taxes or other taxes collected by you for transmittal to the appropriate taxing authority.

Note 2. Local Marketing Expenditures

These funds are typically paid to marketing media and vendors. You must send to us, on a quarterly basis, evidence that you have paid such monies for local marketing purposes.

Note 3. Brand Marketing Fund

We have the right to create a Brand Marketing Fund (the "Brand Fund") and to require a monthly contribution to the Brand Fund in an amount equal to 2% of your Franchise's monthly Gross Revenues. When activated, payments may be made directly to the Brand Fund or to us, as we may determine, by the 15th day of the following month. See **Item 11** for further information on the Brand Fund.

Note 4. Regional Marketing Cooperative

You are also required to join and participate in any The Ark Pet Spa & Hotel Franchise Cooperative ("Co-op") established for your region. 50% of your required local marketing expenditures can be met by contributions to the marketing Co-op, and, therefore, may be counted toward the minimum local marketing requirement. All members of a Co-op (whether a franchisee-owned, company-owned or affiliate-owned Pet Spa & Hotel) have equal voting rights on all matters brought before the Co-op for a vote, including matters relating to the amount of required contributions, but the maximum contribution cannot exceed an amount we designate. See **Item 11** for further information on Co-ops.

Note 5. Late Fee/Interest

You must pay us on demand on any overdue amount, a late fee of $100 per incident, plus interest on the overdue amount from the date it was due until paid, at the rate of 18% per year, or the maximum rate permitted by law, whichever is less.

Note 6. Additional Training, Assistance and Refresher Training

We will provide initial training for you and your designated representative for no extra charge. We permit franchise owners to send additional persons to the initial training class on a space-available basis and may charge a fee, to be based upon a daily per diem charge, and the costs involved in such training. We also reserve the right to charge per diem charges for other training courses. As of the date of this Disclosure Document, the daily per diem charge ranges from $300 to $600, depending upon our personnel involved in such training. You are also responsible for all out-of-pocket expenses (including travel and lodging costs, if any) involved in such additional training, assistance or refresher training.

Note 7. Renewal Fee

If you renew your Franchise, we will charge a renewal fee equal to the then-current initial franchise fee that we charge under our then-current franchise agreement for new franchisees. There are other conditions for renewal (See **Item 17** in this Disclosure Document).

Note 8. Transfer Fee

There are other conditions for transfer or assignment (See **Item 17** in this Disclosure Document).

Note 9. Attorneys' Fees and Costs

The prevailing party in any legal proceeding between you and us will have its attorneys' fees and costs paid by the other party in such legal proceedings.

Note 10. Supplier Approval

We reserve the right to charge you a fee for reviewing a proposed supplier's goods or services which may be used in connection with your Franchise. If we determine that it is necessary to inspect the supplier's facilities or financial statements or conduct tests of such proposed goods or services, then we will require you or the supplier to pay our actual costs incurred for such inspection and testing.

Note 11. Audit Costs

If we audit your Franchise and find that you have under-reported Gross Revenues by 5% or more, or the audit is caused by your failure to provide certain supporting records etc. to us, then you will be required to pay a late fee and the costs of the audit. You will also be required to pay interest on past-due amounts (See Note 5 above).

Note 12. Point of Sale/Operations Software

You must purchase all updates for your software programs, as sent to you by the software provider(s). We will also send to you software updates, as we deem necessary, for other materials that we have prepared for your benefit. Typically, these funds are paid to your software vendor(s) and POS System vendor(s). We intend to require you to use an online subscription based kennel management software system that currently costs $105/month.

Note 13. Relocation Expenses

If you wish to relocate your Franchise, then you must obtain our prior written permission. You will be responsible for all costs involved in any such relocation.

Note 14. Indemnification Fees

Under the Franchise Agreement, you are solely obligated for and must indemnify and hold us harmless from all losses, damages, claims and expenses arising in connection with any of the matters set forth in the Section entitled "Indemnification" of the Franchise Agreement.

Note 15. Advertising Materials

We may charge a reasonable fee for advertising and creative materials and services purchased by you. Currently, we charge a $50 per hour graphic design fee for graphic design work for banners, promotions and other related programs.

Note 16. Technology Fee

We utilize various software and technology systems to assist in the management and operation of the Pet Spa & Hotels and may charge you a reasonable Technology Fee for the use of these systems. These systems may include our email, intranet, social media management software, online training software, website hosting, and the camera system. Price varies by number of cameras and email profiles. We currently charge a Technology Fee of $250-$350 per month for use of email, communication and Intranet system and other software services we provide. Fees may vary throughout the year as we negotiate rates with vendors. A 30 day notice will be given for any fee adjustment. The Technology Fee may not be a direct pass-through of charges we incur relating to technology systems that you use.

Note 17. Extension Fee

You may extend the development deadlines under a Development Agreement for a period of up to six months upon payment of this fee and subject to certain conditions.

Item 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A LEASEHOLD IMPROVEMENT

Type of Expenditure	Amount		When Due	Method of Payment	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee [1]	$37,125	$49,500	Upon signing the Franchise Agreement	As arranged	Us
Initial Rent and Deposit [2]	$11,250	$32,500	As arranged	As arranged	Lessor
Initial Inventory & Supplies [3]	$6,105	$11,091	As arranged	As arranged	Vendors
Leasehold Improvements [4]	$157,500	$520,000	As arranged	As arranged	Contractors
Signage & Graphics [5]	$3,000	$12,000	As arranged	As arranged	Vendors
Furniture, Fixtures & Equipment [6]	$62,352	$105,603	As arranged	As arranged	Vendors
Initial Marketing Campaign [7]	$15,000	$15,000	As arranged	As arranged	Vendors
Pre-Opening Salaries [8]	$3,268	$4,036	As arranged	As arranged	Employees
Security & Camera Systems [9]	$2,200	$5,150	As arranged	As arranged	Vendors
Travel Expenses for Initial Training[10]	$960	$2,400	As arranged	As arranged	Vendors

Type of Expenditure	Amount		When Due	Method of Payment	To Whom Payment is to be Made
	Low	High			
Insurance Deposits[11]	$1,150	$2,500	As arranged	As arranged	Insurance carriers
Permits, Licenses & Fees[12]	$500	$5,000	As arranged	As arranged	Government Agencies
Utility Deposits[13]	$0	$2,000	As arranged	As arranged	Utility Companies
Professional Fees[14]	$2,500	$5,000	As arranged	As arranged	Third Parties
Architectural Fees[15]	$16,875	$26,813	As arranged	As arranged	Architect
Optional Construction Management[16]	$0	$14,500	As arranged	As arranged	Vendors
Computers, Phone, A/V, Technology[17]	$3,810	$7,740	As arranged	As arranged	Vendors
Additional Funds (at least 3 months)[18]	$30,000	$50,000	As arranged	As arranged	Vendors
Total	$353,595	$870,833			

Note 1 Initial Franchise Fees

We describe the initial franchise fees in **Item 5** including the manner in which fees are calculated under the Development Agreement.

Note 2 Initial Rent and Deposit

The rent for your Franchise location can vary substantially. The initial start-up expenses are estimated to be the first month's rent and a security deposit equal to another month's rent, both paid in advance. These estimates do not include common area maintenance fees (CAM). The approximate size of the space needed for the Pet Spa & Hotel is estimated to be 4,500 square feet to 6,500 square feet. However, this will vary by location. We estimate that the initial rent and deposit will be based on a rent of $10 to $20 per square foot.

Note 3 Initial Inventory & Supplies

You are required to purchase inventory and supplies to operate your Franchise. The inventory will consist of pet supplies and other items. Initial supplies and inventory include but are not limited to uniforms, retail inventory, cleaning supplies, print items, branded "promo" items, grooming supplies, kennel supplies, and various office supplies.

Note 4 Leasehold Improvements

Leasehold improvements may include such items as dividing walls, painting, plumbing, electrical, computer network cables, HVAC, floor covering, carpentry, demolition, interior and exterior cosmetics, kennel installation, etc. The cost of such improvements will vary widely from location to location. You may be able to negotiate various terms with your landlord, including paying for some of the buildout costs (known as tenant improvement (TI) allowances). We estimate potential tenant improvement allowances (TI) of $10 to $20 per square foot.

The low estimate in the table above assumes a $15/SF landlord TI allowance at 4,500 square feet (reducing the low estimate from $225,000 to $157,500) while the high estimate assumes no landlord contribution towards buildout costs at 6,500 square feet.

Over the past two years, we have observed a rise in construction costs between 20% to 30% per year due to various economic factors as well as high market volatility in certain urban, remote, and rapid growth markets due to high demand and limited resources.

Note 5 Signage & Graphics

Signage expenses will vary from location to location based upon local ordinances and standards set by the lessor. The costs include signs for the front of the Pet Spa & Hotel and signs on the building (vinyl signs on windows and door), interior signs, etc.

Note 6 Furniture, Fixtures and Equipment

Furniture, fixture and equipment items needed for the Pet Spa & Hotel include, but are not limited to, office furniture, file cabinets, office chairs, storage shelving, microwave, refrigerator, grooming cages, grooming tables, washer, dryers, retail fixtures, lobby fixtures, interior fencing, kennels, and optional exterior fencing and turf.

Note 7 Initial Marketing Campaign

You must spend initial marketing campaign expenses prior to and during the first 60 days after opening your Franchise. We encourage marketing through social media, public relations, printed ads in various media, video, photography, postcards for local distribution, community sponsorship programs, etc.

Note 8 Pre-Opening Salaries

Pre-opening payroll consists of expenses for employees hired by you who will be trained prior to the opening of the Pet Spa & Hotel.

Note 9 Security & Camera System

Includes an estimate for costs for your alarm and security, and security/pet camera equipment. A monthly monitoring fee is also required for both the security system and the camera system.

Note 10 Travel Expenses For Initial Training

Includes travel, meals and lodging per person attending our initial training program. Travel expenses can vary widely based on personal needs and tastes.

Note 11 Insurance Deposits

Includes down payments for auto, workers' compensation, general liability, business income, personal property, Pet Spa & Hotel equipment, umbrella coverages, etc.

Note 12 Permits, Licenses and Fees

These estimates are based upon the conversion of an existing location. These costs will vary by square footage, state, and municipality.

Note 13 Utility Deposits

These include monies needed to be deposited with the local electric, water, sewer, and telephone company. If you have established an account with a particular utility company in the recent past, it is possible that you may not be required to deposit any monies with such utility company.

Note 14 Professional Fees

These legal fees will be paid by you to hire an attorney to form an entity for your Franchise and review the proposed Lease Agreement. In some cases, you may want to use an attorney to expedite the licensing process. You should also retain an accounting or bookkeeping firm to assist in the set up and preparation of an accounting system.

Note 15 Architectural Fees

This cost depends entirely on the location that you will be occupying. Some locations may already have existing build-outs and only minor architectural services may be necessary. However, other locations may need substantial layout and design services requiring an architect.

Note 16 Optional Construction Management

You may choose to engage our third-party construction management vendor, who will manage the planning, bidding, and construction of your facility. This service is not required, but we highly recommend engaging this service.

Note 17 Computers, Phones, AV, Technology

You must purchase several items including but not limited to computers for front desk and back office, televisions, color and black and white printers, speakers throughout facility, audio receiver and volume controllers, tablets, multiline phone system, and various software systems.

Note 18 Additional Funds (Working Capital)

The estimate of additional funds is for anticipated working capital based on an owner-operated business and does not include any allowance for an owner's salary. We cannot estimate or promise when or whether you will achieve a positive cash flow or profits.

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The figures and information in the notes listed above are estimates, and we do not guarantee that you will not have additional expenses starting your Franchise. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations. Royalty Fees and Local Marketing Expenditures are not included in the chart above. All expenditures in the chart above are non-refundable unless otherwise noted. We relied on our experience in the Pet Spa & Hotel business in compiling these estimates. You should review these figures carefully with a business advisor before making any decision to purchase this franchise opportunity. We do not offer direct or indirect financing for any items.

Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Products and Services

You must purchase certain products, supplies and equipment under specifications and standards that we periodically establish in the Franchise Agreement, Manual or other notices we send to you from time-to-time. These specifications are established to provide standards for performance, durability, design and appearance. We will notify you whenever we establish or revise any of our standards or specifications, or if we designate approved suppliers for products, equipment or services.

We may choose to negotiate purchase agreements for certain equipment or supplies. You may purchase such equipment or supplies from such designated suppliers or from any approved supplier on such terms as you negotiate. The Manual contains details relating to such purchases. At the time you open the Pet Spa & Hotel, you must stock and offer the initial inventory of products, services and supplies required by us as outlined in the Manual, or otherwise in writing.

You may offer in your Franchise only the products, services and brands that we have designated in the Manual or otherwise in writing. You must offer all items that we designate as mandatory. We may also designate some items as optional. We may change the mandatory and optional items and other products and services in our sole discretion. We may require that you offer certain brands and prohibit you from offering other brands. You may offer products only in the varieties, sizes and forms that we have designated. You may not use the Franchise location for the sale or display of items not authorized by us. Within 15 days after we provide written notice to you, you must begin offering any newly authorized items and cease offering any item that is no longer authorized; however, if the discontinued item could pose a hazard to the public or prove detrimental to the System, you must cease offering or using that item immediately.

All items authorized for sale at your Franchise must be offered under the name that we specify. We will provide you suggested retail prices for the products and services offered at your Franchise and, to the extent permitted by applicable law, we may require that you adhere to our suggested prices, including maximum prices. If you have a suggestion for a new item, or for a change to an authorized item or product line, or you wish to participate in a test market program, you must notify us before you implement any such change or commence any such program. You may not add or modify any item or participate in a test market program without first obtaining our prior written approval.

Approved Suppliers

You must purchase specified products and procure all equipment, inventory, signage, fixtures, furniture and décor items required for the operation of your Franchise solely from suppliers (including distributors, manufacturers and other sources) who have been approved in writing by us, as listed in the Manual. We maintain written lists of approved items of equipment, fixtures, inventory and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items.

We update our lists from time-to-time and issue the updated lists to all Franchise Owners. We will furnish our standards and specifications, as well as our criteria for supplier approval, to Franchise Owners on request, but only on a confidential basis. All such approved suppliers and approved vendors will be listed in the Manual.

If you desire to purchase any items from an unapproved supplier, you or the supplier must submit to us a written request for written approval. We will consider all relevant factors in such approval requests, including the quality of goods and services, capacity of supplier, financial condition of the supplier, terms and other requirements consistent with supplier relationships. We do not have any specific written criteria. We may inspect the supplier's facilities and require that samples from the supplier be delivered or made available to us or our designee for testing.

You or the proposed supplier shall pay us in advance all of our reasonable costs in regard to inspecting the supplier, its facilities, financial condition and the items involved. We will normally notify the supplier and/or you of our decision within a commercially reasonable time after a request. We may, from time-to time, re-inspect the facilities, products and financial condition of any previously approved supplier at the expense of such supplier and may revoke our approval if the supplier fails to meet any of our standards and specifications at any time.

The following are our current specific obligations for purchases and leases:

(1) **Designated Suppliers.** Currently, we have designated a supplier that you must use for the following categories of products or services.

a. Site selection services (i.e., real estate broker services)

b. Operations

i. POS software systems

ii. Credit card processing

iii. Cleaning products

c. Construction

i. Flooring

ii. Kennel and fencing systems

iii. Furniture, Fixtures, Equipment

iv. Materials and paint colors for all finishes

v. Signage and graphics

d. Marketing products and services

e. Architectural services

(2) **Site Selection and Signage.** We must approve the location for your Franchise and the site must meet our then-current site criteria. You may not enter into a lease or binding purchase agreement for the premises for your Franchise until we have approved the location in writing. Our approval of the lease agreement will also be conditioned upon your obtaining the landlord's execution and delivery of the Rider to Lease Agreement (Attachment "C" to the Franchise Agreement), the Collateral Assignment of Lease (Attachment "D" to the Franchise Agreement), and the Subordination, Non-Disturbance and Attornment Agreement (Attachment "E" to the Franchise Agreement). In our review of the form of your proposed lease, we confirm that it contains the following minimum terms: (i) a term of not less than five years, and (ii) the landlord's execution and delivery of the Rider to Lease Agreement, the Collateral Assignment of Lease, and the Subordination, Non-Disturbance and Attornment Agreement.

You must construct and/or remodel, equip and furnish Franchise in accordance with our specifications with respect to design, equipment layout, decor, color scheme and signage, at your expense.

You must erect, prominently display and maintain advertising signs of such design, color, number, location, illumination and size as we may reasonably require. All such signs or sign faces, as the case may be, must bear the Proprietary Marks. You must obtain all necessary permits and to comply with all codes, regulations or ordinances applicable to display of the required signage. You may not display any sign or signs not approved by us. You must comply with our sign criteria, as more fully set forth in the Manual.

(3) **Computer System.** We have the right to specify in the Manual or otherwise require in writing that you acquire and use in the operation of your Franchise a Technology System (as defined in **Item 11**). We have the right, but not the obligation, to develop or have developed for us, or to designate Required Software (as defined in **Item 11**). See **Item 11** for more details.

(4) Insurance Specifications

Before you open your Franchise and during the term of the Franchise Agreement, you must obtain in full force and effect the necessary insurance, which must include at least the types of insurance and the minimum policy limits specified Article XV of the Franchise Agreement.

(5) Marketing

You must obtain our approval before you use any advertising and promotional materials, signs, forms and stationery unless we have prepared or approved them during the 12 months prior to their proposed use. You must purchase certain advertising and promotional materials, forms, business cards and letterhead from approved vendors only. Further, you must not engage in any marketing of your Franchise unless we have previously approved the medium, content and method. You must not advertise or list your Franchise in any classified telephone directories (i.e. "Yellow Pages") or any online directories without our prior written permission.

You may not establish a web site on the Internet/World Wide Web or on any other electronic communication network using a domain name containing "The Ark Pet Spa & Hotel" or any other of the Proprietary Marks or any word similar to any of the Proprietary Marks. We have the exclusive right to advertise on the Internet/World Wide Web, create a web site using any of the foregoing or similar or related domain names and establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or ad word purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, **"Digital Marketing"**) that are intended to promote the Proprietary Marks, your Franchise, and the entire System. We have the sole right to control all aspects of any Digital Marketing, including those related to your Franchise. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Proprietary Marks or that relate to your Franchise. If we do permit you to conduct any Digital Marketing, you must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

(6) Inventory.

At the time you open your Franchise, you must stock and display the initial inventory of products and supplies including baked pet treats, toys, collars and other retail items that we specify and must maintain these items in sufficient quantities to meet reasonably anticipated customer demands. You must purchase these items from designated vendors and in accordance with our specifications.

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We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our System, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after testing in our headquarters and/or a limited market test in operating units.

As of the date of this Disclosure Document, we have not derived revenue in connection with required purchase by our franchisees. However, we have the right to collect any rebates or refunds provided by a supplier or vendor in connection with your purchase of any items or services. In addition, we and our affiliates have the right to profit from items that you purchase from us or our affiliates.

At the present time, no officer of ours owns any interest in any supplier to our franchisees. Neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve to the right to be a supplier (or the sole supplier) of a good or service in the future.

We estimate your purchases from designated suppliers, approved suppliers or in accordance with our specifications will represent approximately 90% of your initial and on-going operating purchases for your Franchise.

We reserve the right to require you to purchase additional items from designated sources in the future. We will notify you of such requirements by sending to you such changes by modifying the Manual or sending to you other written forms of communication.

We do not have any purchasing or distribution cooperatives.

We do negotiate prices for the benefit of all Pet Spa & Hotels with certain vendors or suppliers and anticipate doing so in the future.

We do not provide any material benefits to you if you buy from sources we approve.

Item 9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement (FA) and Development Agreement (DA)	Item in Disclosure Document
A. Site selection and acquisition/lease	FA § I, IV, Attachment A	Item 11
B. Pre-opening purchases/leases	FA § V, XI, Attachments C, D, E	Items 5, 7, 8

Obligation	Section in Franchise Agreement (FA) and Development Agreement (DA)	Item in Disclosure Document
C. Site Development and other pre-opening requirements	FA § IV, V, XI; § 1 of the DA	Items 7, 8, 11
D. Initial and on-going training	FA § VI, VII	Item 11
E. Opening	FA § XI; §3 of the DA	Item 11
F. Fees	FA § VII; §§ 2 and 10(o) of the DA	Items 5, 6
G. Compliance with standards and policies/Operating Manual	FA § V, VII, IX, XI	Items 11, 16
H. Trademarks and proprietary information	FA § XII, XIII, Attachments G, H	Items 13, 14
I. Restrictions on products / services offered	FA § XI	Item 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	§ 1 of the DA	Not Applicable
l. On-going product/service purchases	FA § XI	Item 8
m. Maintenance, appearance and remodeling requirements	FA § XI	Not Applicable
n. Insurance	FA § XV	Items 7, 8
o. Advertising	FA § IX	Items 6, 7 and 11
p. Indemnification	FA § XXI	Not Applicable
q. Owner's participation / management /and staffing	FA § XI, XVIII, Attachment G	Item 15
r. Records and reports	FA § X	Item 6
s. Inspections and audits	FA § X	Item 6
t. Transfer	FA § XIX; ; § 9 of the DA	Items 6, 17
u. Renewal	FA § II	Items 6, 17
v. Post-termination obligations	FA § XVII	Item 17
w. Non-competition covenants	FA § XVIII, Attachment I	Item 17

Obligation	Section in Franchise Agreement (FA) and Development Agreement (DA)	Item in Disclosure Document
x. Dispute resolution	FA § XXIII; § 10 of the DA	Item 17
y. Other: Guaranty of Franchise Owner's Obligations	FA § X, Attachment B	Item 15

Item 10. FINANCING

We will not offer, directly or indirectly, any arrangements for financing your initial investment or the operation of your Franchise. We do not receive any direct or indirect payments for placing financing, nor do we guarantee your obligations to third parties.

Although we do not provide or assist you in obtaining financing, our brand is approved for eligibility for the Small Business Association's ("SBA") loans and our Company's franchise offering is listed on the SBA Franchise Registry. Our approval for eligibility or inclusion on the SBA Franchise Registry list does not guarantee that you will obtain financing or that any financing you do obtain will meet with our approval or contain favorable or other specific terms.

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

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

Pre-Opening Assistance

Prior to the opening of the Pet Spa & Hotel, we are obligated under the Franchise Agreement to make available to you, or assist you in obtaining, the following:

(1) Designate your Territory (Franchise Agreement ["FA"], § I.

(2) Standards for location and guidance in the selection of a Franchise location (FA, § IV).

(3) Layout and design of the Pet Spa & Hotel (FA, § VII).

(4) Identify the inventory, equipment, materials and supplies necessary for the Pet Spa & Hotel to begin operations, including the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased (including the Company and our affiliates (FA, § XI).

(5) Initial training of you and additional employees, at time and locations designated by us (FA, § VI).

(6) Lists of approved items of equipment, fixtures and inventory and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items (FA, § XI).

(7) The use of the Manual and other manuals and training aids designated by us for use in the System, as they may be revised by us from time-to-time (FA, § VII).

(8) Advice and guidance in preparing to open the Pet Spa & Hotel, including standards and procedures for obtaining inventory and supplies, providing approved services, advertising and promoting the business, and operating the business (FA, § XI).

Post-Opening Assistance

After the opening of the Pet Spa & Hotel, we are obligated under the Agreement to make available to you, or assist you in obtaining the following:

(1) On-site assistance for a period after the opening of the Pet Spa & Hotel (FA, §VI).

(2) Access to continuing courses of training, at times and locations designated by us (FA, § VI).

(3) Inspections of the Pet Spa & Hotel, as we deem advisable (FA, § XII).

(4) Updated lists of approved items of equipment, fixtures, inventory and supplies (by brand name and/or by standards and specifications) and updated lists of approved suppliers for those items (FA, § VII).

(5) Periodic advice and guidance through meetings, printed materials and/or other media, as we make available to all Franchise Owners in the System from time-to-time (FA, § VII).

Marketing Programs and Specifications

You must obtain our approval before you use any advertising and promotional materials, signs, forms and stationery unless we have prepared or approved them during the 12 months prior to their proposed use. You must purchase certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead from approved vendors only. Further, you must not engage in any advertising of your Franchise unless we have previously approved the medium, content and method. You may not engage in any social media unless approved by us.

Marketing Plan

You must submit to us at least 30 days prior to its implementation a local advertising and marketing plan each fiscal year by which you intend to market your Franchise during the next 12-month period.

Initial Marketing Campaign.

You must conduct initial marketing for your Franchise in accordance with an initial marketing campaign plan that you have prepared prior to and during the first 60 days after opening your Franchise. Within 10 days after the end of the period in which you conduct this initial marketing, you must submit appropriate documentation to verify compliance with this obligation.

Brand Fund.

You must send to us a monthly payment of 2% of your Franchise's Gross Revenues as your Brand Fund contribution ("Brand Fund Contribution"). We may use the Brand Fund Contributions and any earnings of the Brand Fund for any costs associated with advertising, marketing, public relations, promotional programs and materials (which may be national, regional or local in scope), and/or any other activities that we believe would benefit the System, including the following: social media such as Facebook, Twitter and others; advertising campaigns in various media; point-of-purchase materials; review of locally-produced ads; free standing inserts or brochures; purchasing and/or developing promotional materials; market research, including Mystery Shoppers; sponsorships; design and maintenance of a website; celebrity endorsements; trade shows; association dues; search engine optimization costs; establishment of a third party facility for customizing local advertising; accounting costs; and holding an annual franchise convention. We will not use the Brand Fund for any activity whose sole purpose is the marketing of franchises; however, you acknowledge that The Ark Pet Spa & Hotel website, public relations activities, community involvement activities, and other activities that may be supported by the Brand Fund may contain information about franchising opportunities.

We have the right to direct all programs supported by the Brand Fund, with final discretion over creative concepts, the materials and media used in the programs, and their placement. We will develop, and may work with an advertising agency to develop, advertising for print, radio, and television. We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

We will not use any contributions to the Brand Fund to defray any of our general operating expenses, except for reasonable administrative costs and overhead that we incur in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including salaries of our personnel who devote time to Brand Fund activities). We will separately account for the Brand Fund and segregate Brand Fund monies from our other monies.

Any point-of-sale materials produced with Brand Fund monies will be made available to you at a reasonable cost, and the proceeds of such sales will be credited to the Brand Fund.

We are not required to have an independent audit of the Brand Fund completed. We will make available an unaudited statement of contributions and expenditures for the Brand Fund no sooner than 90 days after the close of our fiscal year to Franchise Owners who make a written request for a copy. The Brand Fund has not yet incurred any expenses and, therefore, we have no historical expenditure information relating to Brand Fund expenditures.

Beginning on the date that the first franchised The Ark Pet Spa & Hotel opens for business, The Ark Pet Spa & Hotel owned by us or our affiliates will contribute to the Brand Fund on the same basis as comparable Franchise Owners. If we reduce the Brand Fund contribution for Franchise Owners, we will have the right to reduce by the same amount the required contribution for The Ark Pet Spa & Hotel operated by us or our affiliates.

With respect to the Brand Fund, while we may spend in any fiscal year an amount greater or less than the aggregate contribution of The Ark Pet Spa & Hotel to the applicable Fund, generally, we believe that we will spend all marketing payments during the taxable year in which the contribution and earnings are received. If we do not spend the marketing payments in one year, we will likely spend them in the following year.

Local Marketing Expenditures.

You must spend monthly, as a minimum, 3% of your Franchise's Gross Revenues, or $2,000 per month, whichever is greater, for local marketing purposes in year one and 2% of $1,000 per month, whichever is greater, for local marketing purposes in year two and on. These funds are typically paid to marketing media and vendors. You must send to us, on a quarterly basis, evidence that you have paid such monies for local marketing purposes.

You must conduct all marketing in a dignified manner and in accordance with the standards and requirements we specify periodically. We may provide to you a marketing manual which may have guidelines for creating a marketing plan, scripts, and branding tools. You may be required to pay a reasonable fee for accessing and customizing local marketing and promotional materials. All marketing and promotional materials must bear the Proprietary Marks in the form, color, location, and manner that we prescribe. We will have the final decision on all creative development of marketing and promotional messages. You agree that we own all marketing and promotional materials developed by you, and you will take all actions that we specify to vest ownership in us.

Regional Marketing Cooperatives

If established, you are also required to join and participate in Co-Ops that are organized within your Area of Dominant Influence ("ADI"). An ADI is a geographic market designation that defines a broadcast media market, consisting of all counties in which the home market stations receive a preponderance of viewing. You must contribute up to 2% of your Gross Revenues to the Co-Op. One function of the Co-op is to establish a local marketing pool, of which the funds must be used for The Ark Pet Spa & Hotel advertising only and for the mutual benefit of each Co-op member. You must contribute to the pool in accordance with the rules and regulations of the Co-op, as determined by its members. 50% of your required local marketing expenditures can be met by contributions to the marketing Co-op, and therefore may be counted toward the minimum local marketing requirement.

We have the right to determine the composition of all geographic territories and market areas for the implementation of each cooperative advertising program. If a cooperative advertising program is implemented in a particular ADI, we may establish an advertising council to self-administer the cooperative advertising program. You must participate in the council according to the council's rules and procedures and you must abide by the council's decisions. A majority vote of the advertising cooperative will determine the amount of the required cooperative advertising contribution. Each Pet Spa & Hotel in the geographic area or market area for the cooperative will have one vote, including company-owned Pet Spa & Hotels. *There are currently no Co-ops.*

Internet and Social Media

You may not establish a web site on the Internet/World Wide Web or on any other electronic communication network using a domain name containing "The Ark Pet Spa & Hotel" or any other of the Proprietary Marks or any word similar to any of the Proprietary Marks. We have the exclusive right to advertise on the Internet/World Wide Web, create a web site using any of the foregoing or similar or related domain names and establish and operate Digital Marketing intended to promote the Proprietary Marks, your Franchise, and the entire System. We have the sole right to control all aspects of any Digital Marketing, including those related to your Franchise. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Proprietary Marks or that relate to your Franchise. If we do permit you to conduct any Digital Marketing, you must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time

Public and Media Relations.

You may not issue any press or other media releases or other communications without our prior written consent. As a Franchise Owner of the System, you may only participate in internal and external communications activities that create goodwill, enhance our public image, and build The Ark Pet Spa & Hotel brand.

The Manual

The current table of contents for the Manual appears as Exhibit G. As of the date of this Disclosure Document, the Manual contains 240 pages.

Pricing

We will periodically provide suggested retail prices for the products and services offered at The Ark Pet Spa & Hotel and, to the extent permitted by applicable law, we may require that you adhere to suggested prices, including minimum or maximum prices.

Approval of Site

You must occupy a retail The Ark Pet Spa & Hotel location, approved by us according to our minimum standards and specifications, within a specified site selection area under a lease agreement with a landlord. You must, prior to execution of the lease, submit the lease to us for our written approval. Our approval of the lease may be conditioned upon various factors relating to the market area in which your customers may be derived. Some of the factors we will analyze in approving such market area include the general location and neighborhood, population and demographics, distance to other franchises, competition in the market area, traffic counts and patterns, access to the proposed location, sign ordinances, proximity to major roads and residential areas, parking facilities, costs of leasehold improvements and closeness to business districts. We will respond within a reasonable period of time, either accepting or rejecting (with reasons) the proposed location.

Our approval of the lease agreement will also be conditioned upon your obtaining the landlord's execution and delivery of the Rider to Lease Agreement (Attachment "C" to the Franchise Agreement), the Collateral Assignment of Lease (Attachment "D" to the Franchise Agreement), and the Subordination, Non-Disturbance and Attornment Agreement (Attachment "E" to the Franchise Agreement). In our review of the form of your proposed lease, we confirm that it contains the following minimum terms: (i) a term of not less than five years, and (ii) the landlord's execution and delivery of the Rider to Lease Agreement, the Collateral Assignment of Lease, and the Subordination, Non-Disturbance and Attornment Agreement.

Time to Opening

The typical length of time between signing the Agreement and the opening of your Franchise is estimated to be nine to 12 months. Factors that will affect the length of time it takes you to open your Franchise include your ability to obtain a lease, financing, permits, compliance with local ordinances and restrictions, availability of signs and equipment, construction or leasehold improvements and completion of required training.

You must identify your approved location within 180 days of the date of the Franchise Agreement and open the Pet Spa & Hotel within 12 months after the date of the Franchise Agreement. If you fail to meet either of these requirements, we have the right to terminate the Agreement and keep the entire initial franchise fee.

Computer Requirements and Point of Sale System

We may designate computer software programs including without limitation design software, client relations management software and accounting system software that you must use in your business ("Required Software"). We will specify the Required Software in the Manuals. We will also specify in the Manuals that you purchase certain brands, types, makes and models of communications, hardware and software systems, peripherals and equipment for use in the The Ark Pet Spa & Hotel (collectively, with the Required Software, the "Technology System"). You must install, learn, use and integrate all updates, supplements, modifications or enhancements to the Technology System when we so require at your cost.

We intend to require you to use an online subscription-based kennel management software system (the "POS System"). We estimate the POS System costs will be $3,810 to $7,740, which includes the costs of the computers. You must obtain high-speed communications access for your POS System. You must also maintain a functioning e-mail address for your Franchise.

We also currently require that you purchase a personal computer compatible with the software required to operate your Franchise. This PC should have a fast operating system in order to effectively operate your Franchise. In addition, you will need to purchase a 4- in-1 office printer that will allow you to copy, fax, print and scan and must be compatible with your computer and required software. You must purchase software to operate the Pet Spa & Hotel, including Microsoft Office, Quickbooks Online and antivirus software and other programs that we may designate in the Manual or online.

The Technology System will be used by you in the Pet Spa & Hotel in the following ways: a POS System for operating the electronic cash registers in the Pet Spa & Hotel and a personal computer (desktop or laptop) for general correspondence, email, financial reports, marketing programs, a bookkeeping and accounting system, etc. The types of data to be generated or stored in your Technology System includes: guest information, pet information and encrypted credit card information. We will have independent access to information or data in your Technology System. We may retrieve from your Technology System all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information.

You are solely responsible for the acquisition, operation, maintenance, and upgrading of the Technology System. There are no limitations on the frequency and cost of your obligation to comply with our requirements related to the Technology System.

Although we estimate your annual costs of maintenance and repair of your Technology System to be approximately $1,000 through a maintenance contract with the computer vendor, there may be other factors that will affect your annual costs of maintenance and repair. Some of these factors may include your repair history, local costs of computer maintenance services in your Territory and technological advances which we cannot predict at this time.

In addition, we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. We or our affiliates may charge you a monthly or other fee for any proprietary software or technology or support that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of your Franchise Agreement.

We currently charge a Technology Fee of $200-$250 per month for use of email, communication and Intranet system and other software services we provide. See Item 6 for more information.

We may in the future establish different sales reporting systems, as we consider appropriate for the accurate and expeditious reporting of Gross Revenues and other financial information. In such event, you must fully cooperate with us in implementing any such system at each Pet Spa & Hotel and at your expense, equip the Pet Spa & Hotel with such sales recording devices as we may require.

Training Program

Our initial franchise management training program is available to all Franchise Owners and up to two persons or other persons we agree upon prior to the start of training. Before opening for business, you must attend and complete the initial franchise management training program to our satisfaction.

The Company's training consists of three phases lasting a total of 112 hours, 27 hours in the classroom or online and 85 hours of on-the-job training. Training will take place at the Company's headquarters and/or at affiliated company locations.

The entire three-phase initial training program uses the Manual and other written materials developed by us and approved vendors and must be completed approximately two weeks prior to the opening of the Pet Spa & Hotel.

We require that each individual Franchise Owner attend the initial franchise management training program. We provide initial training at no additional charge for you and up to two additional persons. We may require any other principal(s) or employee(s) of the Pet Spa & Hotel to attend and satisfactorily complete all initial training programs as we may require.

Training will be provided under the direction of Adam Harbin (who has 8 years of experience in the industry), Sarah Rivas (who has 6 years of experience in the industry), Jay Floyd (who has 17 years of experience in the industry), Julia Ellis (who has 2 years of experience in the industry), Lauren Gorentz (who has 7 years of experience in the industry), Alexandria Hickman (who has 1 year of experience in the industry), and other persons or vendors as needed. We also use third party vendors for specialty training.

We plan on being flexible in scheduling training to accommodate your personnel, you and your employees. There are currently no fixed (i.e., monthly or bi-monthly) training schedules. As of the date of this Disclosure Document, the following training program and subjects will be provided to all Franchise Owners and their employees at our Headquarters.

- **Phase One Training:** occurs shortly after the signing of the franchise agreement. This training will introduce Franchise Owners to all aspects of The Ark's operation at a high level. We will also dive into site selection, building design, pre-opening marketing, and general management duties.
- **Phase Two Training:** occurs approximately 4-6 weeks prior to the opening of the facility. We will dive deep into daily operations, cleaning procedures, customer service, management, ongoing marketing, dog behavior, and much more. Phase two will give the Franchise Owner the tools they need to get up and running.
- **Phase Three Training:** occurs in conjunction with the opening of the Franchise. We know that hands on training is very important at the opening of a facility. We will send a training to the Franchise facility to engage in last minute class room and on the job training with the managers and crew alike.

PHASE ONE TRAINING

SUBJECT	CLASSROOM HOURS	HOURS ON THE JOB TRAINING	LOCATION
Introduction to The Ark Pet Spa & Hotel	2	0	Headquarters, Chattanooga, Tennessee
Site Selection, Facility design, vendor/inventory ordering	2	0	Headquarters, Chattanooga, Tennessee
Pre-Opening Marketing and Advertising	2	0	Headquarters, Chattanooga, Tennessee

Business Systems	2	0	Headquarters, Chattanooga, Tennessee
The Ark Management Training	2	0	Headquarters, Chattanooga, Tennessee
Total Hours	**10**	**0**	

PHASE TWO TRAINING

SUBJECT	CLASSROOM HOURS	HOURS ON THE JOB TRAINING	LOCATION
General Business	1	6	Headquarters, Chattanooga, Tennessee
Marketing & Advertising	1	3	Headquarters, Chattanooga, Tennessee
Financing & Bookkeeping	1	3	Headquarters, Chattanooga, Tennessee
Customer Service	1	3	Headquarters, Chattanooga, Tennessee
Software & Technology	2	4	Headquarters, Chattanooga, Tennessee
Knowing Dogs & Free Play	3	8	Headquarters, Chattanooga, Tennessee
Daily Operations AM	1	5	Headquarters, Chattanooga, Tennessee
Daily Operations PM	1	5	Headquarters, Chattanooga, Tennessee
Managing & Leading Your Crew	1	3	Headquarters, Chattanooga, Tennessee
Total Hours	**12**	**40**	

PHASE THREE TRAINING

SUBJECT	CLASSROOM HOURS	HOURS ON THE JOB TRAINING	LOCATION
General Recap	1	1	Franchise Owner's Location
Finishing Your Ark	1	1	Franchise Owner's Location
Marketing and Advertising	1	1	Franchise Owner's Location
Building Your Crew	1	1	Franchise Owner's Location
Software & Technology	1	1	Franchise Owner's Location
Ark Crew Shadow	0	40	Franchise Owner's Location
Total Hours	**5**	**45**	

Grand Total of Training: 27 hours of Classroom and 85 hours of On the Job

Our Pre-Opening training consists of three phases lasting a total of 112 hours, 27 hours in the classroom and 85 hours of on-the-job training. Training will take place at the Company's headquarters and/or our affiliated owned Pet Spa & Hotel location(s).

During Phase Three of training, our trainers will arrive at your locations and conduct the 5 hours of classroom training. This will also be a time for our trainers to work with and monitor your progress, assist with grand opening and answer any further questions you or your crew may have. Our trainers will stay at your location for five days prior to opening and two days after opening for a total of 45 hours of on-the-job training.

We also may offer additional or refresher training courses from time-to-time. Some of these courses may be mandatory, and some may be optional. These courses may be conducted at our Headquarters or at any other locations selected by us.

You and/or your employees will be responsible for all out-of-pocket expenses in connection with all training programs, including costs and expenses of transportation, lodging, meals, wages and employee benefits. We reserve the right to impose reasonable charges for training classes and materials in connection with such training courses. We will notify you of any additional charges before you or your employees enroll in a course.

All classes are scheduled by advance written notice to all Franchise Owners. Our class cancellation policies will be included in the written notice of class schedules. The instruction materials for our training programs may include computer-based training, handouts, the Manual, tests that we may require you to take and other information that we deem important.

We will be sending to you on a periodic basis Operations Representatives to provide additional training and guidance.

It is your responsibility to ensure that all subsequent managers and employees be trained in our systems and procedures and that our systems and procedures are utilized at your Franchise. We may audit your Franchise at any time to ensure compliance with our systems and procedures.

Item 12. TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate your Franchise only at the approved location. You must lease or purchase the location for your Franchise, subject to our approval.

The approved location for your Facility will be listed in the Franchise Agreement. If you have not identified an approved location for the Facility when you sign the Franchise Agreement, as is typically the case, you and we will agree on the approved location in writing and amend the Franchise Agreement after you select and we approve your location. Under these circumstances, we will provide you a search area comprised of a geographic area designated in the Franchise Agreement. The search area will terminate at the earlier of: (1) our approval of your location; or (2) 180 days after signing the Franchise Agreement, which is the amount of time we give you to purchase or lease the site for your Franchise. If you renew your Franchise, your Territory may be modified depending on the then-current demographics of the Territory, and on our then-current standards for territories.

You may not relocate the Pet Spa & Hotel without our prior written approval. We will grant approval if you are in compliance with the Franchise Agreement, you have paid all money owed to us and our affiliates, the proposed location meets our site selection criteria, and you comply with the lease requirements in the Franchise Agreement. We may, if we wish, inspect your proposed new location. You must pay us our costs due to your relocation.

Under the Franchise Agreement, you will receive a protected territory (the "Territory") after you select and we approve a suitable site, the precise size and boundaries of which will be determined by us. Your Territory will be identified by us and you will be notified in writing of your Territory after you select and we approve a suitable site. The boundaries of the Territory may consist of a radius around your approved site, city boundaries, zip codes, streets, polygons, or any other boundaries. However, with the exception of densely populated metropolitan areas ("urban markets"), we agree that the Territory will comprise an area that includes a minimum of 25,000 Target Customers. A "Target Customer" is a household that includes at least one pet and is determined by us based on certain population statistics and numbers derived from pet ownership, demographics, and other criteria and may be supplemented with other information available and other population statistical sources of our choosing. In urban markets, the Territory may be smaller, however, we agree that it will, at a minimum, be at least two blocks radius from your site. Therefore, franchisees operating in less densely populated urban areas may have significantly larger areas.

Under the Franchise Agreement, you will not receive an *exclusive* territory. You may face competition other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control. However, you do have certain territorial protections within your Territory. During the term of the Franchise Agreement, neither we nor any affiliate will establish a The Ark Pet Spa & Hotel business selling the same or similar products or services under the Proprietary Marks within your Territory. With the exception of the protections granted under previous sentence, we reserve all rights to the Territory.

Specifically:

(1) We and our affiliates may operate businesses or grant franchises for the operation of businesses that offer similar products and/or services under names and marks other than the Proprietary Marks. However, we currently have no plans to do so.

(2) Your Territory excludes captive venues such as airports, arenas, stadiums, hospitals, amusement parks, state or national parks and military forts, posts or bases, whether in existence now or in the future.

(3) We reserve the right to offer or sell products or services under the Proprietary Marks or any other marks through other channels of distribution within or outside the Territory. Although we currently have no plans to do so, we and our affiliates may sell products under the Proprietary Marks anywhere through any method of distribution other than a Pet Spa & Hotel. Such methods of distribution may include sales through the Internet, catalog sales, telemarketing or other direct marketing sales ("alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Territory nor will you receive any compensation for our sales through alternative distribution channels.

Neither the continuation of your Territory nor the Franchise Agreement itself is dependent upon your achieving any sales quotas, market penetrations or other contingencies.

Development Agreement

You may (if you qualify) develop two or more Franchises within a specific geographic area under a Development Agreement. We and you will identify a geographic area (the "Development Area") within which you will focus your development efforts before signing the Development Agreement. The boundaries of the Development Area may consist of a radius around your approved site, city boundaries, zip codes, streets, polygons, or any other boundaries. Under the Development Agreement, you will not receive an *exclusive* territory. You may face competition other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control.

However, as long as you are in compliance with the Development Agreement, we and our affiliates will not operate a Business in your Development Area, nor grant a third party the right or license to operate a Business in your Development Area. We have the right to engage in any of the activities (directly or through an affiliate) in the Development Area that are permitted in the Territory under the terms of the first Franchise Agreement that you enter into under the Development Agreement.

We may terminate the Development Agreement if you default under the Development Agreement or otherwise do not satisfy your development obligations. In the alternative, we may reduce the number of Franchises you may develop or reduce/eliminate your Development Area. Otherwise, neither the continuation of your Development Area nor the Development Agreement itself is dependent upon your achieving any sales quotas, market penetrations or other contingencies.

Options and Rights of First Refusal

The Franchise Agreement and Development Agreement do not contain any other provisions under which you might receive any options, rights of first refusal or similar rights to acquire additional Franchises.

Competitive Businesses

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, neither the Franchise Agreement nor the Development Agreement prohibits us from doing so.

As noted in **Items 1** and **20**, our affiliates operate Pet Spa & Hotel locations. These locations are the prototype Pet Spa & Hotels for the Franchises described in this Disclosure Document.

Solicitation of Customers

You may solicit clients and advertise your Franchise anywhere you choose and provide services at your Franchise location to clients that reside outside of your Territory. There are no restrictions on you, any of our other franchisees, or us to prevent any soliciting or advertising in someone else's territory or providing services at locations located outside of your Territory for clients that reside inside of your Territory. No party is obligated to pay compensation to any other party for soliciting, or providing services for, clients residing in another party's territory.

Item 13. TRADEMARKS

Under the Franchise Agreement, the Company grants you the right and license to use the Proprietary Marks and the System solely in connection with your Franchise. You may use only the mark "The Ark Pet Spa & Hotel" and design and such other Proprietary Marks as are designated in writing by the Company for your use. In addition, you may use them only in the manner authorized and permitted by the Company and you may not directly or indirectly contest the Company's ownership of or rights in the Proprietary Marks.

These marks are registered with the United States Patent and Trademark Office on the Principal Register as follows:

Mark	Registration Number	Registration Date
"The Ark Pet Spa & Hotel" and Design	3,326,867	October 30, 2007

Mark	Registration Number	Registration Date
"Slobberbones Bakery & Market"	87-205,666	March 7, 2017

There are no effective material determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administrator, or any state or any court relating to the Proprietary Marks. There is no pending infringement, opposition or cancellation. There is no pending material litigation involving the Proprietary Marks.

There are no agreements currently in effect that significantly limit the Company's right to use or license the use of the Proprietary Marks in a manner material to the Franchise. The logo is part of the Company's Proprietary Marks. The Company's Proprietary Marks are also registered with the state of Tennessee.

The Franchise Agreement does not contain any provisions under which the Company is required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Proprietary Marks. If litigation involving the Proprietary Marks is instituted or threatened against you, the Agreement requires you to notify the Company promptly and cooperate fully with the Company in defending or settling the litigation.

The Company has no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must follow our rules when you use these Proprietary Marks. 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 the Company's registered name in connection with the sale of any unauthorized product or service, or in a manner that we have not authorized in writing.

Item 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents Rights

We own no rights in or to any patents that are material to the Franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our Manual. Our materials that we have copyright ownership of are available for you to use as part of our franchise program.

Confidential Operations Manual

Under the Franchise Agreement, you must operate the Pet Spa & Hotel in accordance with the standards, methods, policies and procedures specified in the Manual. You will be loaned a copy of the Pre-Opening Manual at the time of signing the Franchise Agreement. You will receive the Daily Operations Manual for the term of the Franchise Agreement when you have completed the initial training program to our satisfaction. You must operate your Franchise strictly in accordance with the Manual, as it may be revised by us from time-to-time.

You must treat as confidential the Manual and any other materials created for or approved by us for the operation of your Franchise. You must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized person. The Manual will remain our sole property and must be returned in the event that you cease to be a Franchise Owner.

We may from time-to-time revise the contents of the Manual, and you must comply with each new or changed provision. You must ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copies maintained by us at our Headquarters will be controlling.

Confidential Information

You may never---during the Initial Term, any Renewal Term or after the Franchise Agreement expires or is terminated---reveal any of our Confidential Information to another person or use it for any other person or business. The Franchise Agreement requires you to maintain all Confidential Information of the Company as confidential, both during and after the term of the Agreement. "Confidential Information" includes all information, data, techniques and know-how designated or treated by us as confidential and includes the Manual. You may not at any time disclose, copy or use any Confidential Information except as specifically authorized by us. Under the Agreement, you agree that all information, data, techniques and know-how developed or assembled by you or your employees or agents during the term of the Franchise Agreement and relating to the System will be deemed a part of the Confidential Information protected under the Franchise Agreement.

You must also promptly tell us when you learn about the unauthorized use of any Confidential Information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we deem appropriate.

See **Item 15** below concerning your obligation to obtain confidentiality and noncompetition agreements from persons involved in the Pet Spa & Hotel.

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

If you are a legal entity, you must designate an Operating Partner among your owners who owns at least 25% of the equity and who has the legal authority to bind you. The Franchise Owner, or the Operating Partner if the Franchise Owner is a legal entity, must devote his or her full time and best efforts to the management and operation of Franchise. In the alternative, you may have a fully trained manager operate Franchise on a full-time basis. You must keep us informed at all times of the identity of any employee acting as manager. Any manager you employ at the launching of your Franchise operations must complete the initial management-training course required by us. All subsequent managers must be trained fully according to our standards by either you or us.

You or your Operating Partner must attend initial training. You or your Operating Partner and managers must attend such additional training that we may require from time to time

Each individual who holds an ownership interest of 5% or more in the Franchise Owner entity must personally guarantee all of the obligations of the Franchise Owner under the Franchise Agreement by signing a Guaranty of Franchise Owner’s Undertakings (attached to the Franchise Agreement). Additionally, each owner of an equity interest of 5% or more in a Franchise Owner entity must execute a Noncompetition Agreement and a Confidentiality Agreement in the form attached to the Franchise Agreement.

You must require your manager and each assistant manager at the Franchise to enter into a confidentiality agreement in substantially the form attached to the Franchise Agreement. Further, all employees who we determine will have access to confidential information must sign a Confidentiality Agreement in the form attached to the Franchise Agreement. The form provides that we are a third-party beneficiary of, and have the independent right to enforce, the covenants.

Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your Franchise in strict conformity with all prescribed methods, procedures, policies, standards and specifications of the System. You must use your Franchise only for the operation of the Pet Spa & Hotel and may not operate any other business at or from such locations without the express prior written consent of the Company.

We require you to offer and sell only those goods and services that we have approved.

You must offer all goods and services that we designate as required for all Franchises. In addition, we may require you to comply with other requirements (such as state or local licenses, training, marketing, insurance) before we will allow you to offer certain optional services.

We reserve the right to designate additional required or optional services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements.

You may serve customers at your approved location who reside inside or outside your Territory, even if such customers reside in the protected territory of another franchised or affiliate-owned Pet Spa & Hotel, all without payment of any compensation to such franchisee or to us. We and our other franchisees may serve customer at other franchised or affiliate-owned locations who reside in your Territory, all without payment of any compensation to you.

You may solicit clients and advertise your Franchise anywhere you choose. There are no restrictions on you, any of our other franchisees, or us to prevent any soliciting or advertising in someone else's territory. No party is obligated to pay compensation to any other party for soliciting clients from the other franchisee's territory.

Except as described above, we do not impose any restrictions in the Franchise Agreement, or otherwise, limiting the goods or services which you may offer for sale or limiting the clients to whom you may sell.

Item 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision	Section in Agreement	Summary
a. Length of the franchise term	Franchise ("FA") § II	10 years
b. Renewal or extension of the term	FA § II (B)	If you are in good standing, upon expiration of the Franchise Agreement, you will have the right to renew your Franchise by signing the then-current franchise agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different. You may have the right to renew your Franchise for two renewal terms of 10 years each, for a total of 30 years.
c. Requirements for you to renew or extend	FA § II (B)	Complied with Franchise Agreement, renovated premises if needed, paid all monies to Company, execute then-current Franchise Agreement, met current qualifications, paid renewal fee, signed an extended Lease Agreement,

Provision	Section in Agreement	Summary
		signed Release Agreement, completed any additional training that we require.
d. Termination by you	FA § XVI (A)	We haven't cured breach within 30 days after notice.
e. Termination by the Company without cause	None	None
f. Termination by the Company with cause	FA § XVI (B)ADA § 9.1	We can only terminate if you are in default.
g. "Cause" defined defaults which can be cured	FA § XVI (B)	Various breaches of Franchise Agreement
h. "Cause" defined defaults which cannot be cured	FA § XVI (C) and (D) ADA § 9.1	Includes abandons control of Franchise, consistently fails to pay monies when due, violates laws, material misrepresentation on initial application, attempted assignment without permission, discloses Manual without permission, repeatedly fails to comply with Manual, breaches Franchise Agreement or does something adverse to Proprietary Marks, failure to comply with Franchise Agreement or any other agreement between you and us or you are convicted of a felony. The Franchise Agreement provides for termination upon bankruptcy. Under the U.S. Bankruptcy Code, we may be unable to terminate the Franchise Agreement merely because you make a bankruptcy filing.
i. Your obligations on termination/non-renewal	FA § XVII	Includes payment of money owed to us, return Manual, cancellation of assumed names and transfer of phone numbers, cease using Proprietary Marks, cease operating Franchise, no confusion with Proprietary Marks, our option to purchase your inventory and equipment, your modification of the premises and our option to purchase your Franchise.

Provision	Section in Agreement	Summary
j. Assignment of contract by the Company	FA § XIX	No restriction on right to transfer.
k. "Transfer" by you – defined	FA § XIX (B) and (C)	Includes assignment of Franchise Agreement, sale or merger of business entities, transfer of corporate stock, and death of Franchise Owner or majority Owner of Franchise Owner.
l. The Company's approval of transfer by Owner	FA § XIX (B)	We have the right to approve all transfers.
m. Conditions for the Company's approval of transfer	FA § XIX (B)	Transferor must furnish estoppel agreement, not be in default, sign release; transferee is qualified, signs assumption agreement, designates a qualified Operating Partner, signs other required documents including a new franchise agreement which may contain materially different terms, completes required training, is not involved in a competing business, and has paid the transfer fee. We may impose other requirements such as bringing the Franchise up to our then-current standards.
n. The Company's right of first refusal to acquire your business	FA § XIX (C)	We have the option to match any offer for your Franchise.
o. The Company's option to purchase your business	FA § XVII (G)	We have the option to purchase your Franchise upon termination or non-renewal.
p. Your death or mental incapacity	FA § XIX (D)	Franchise must be assigned by estate to approved buyer within six months.
q. Non-competition covenants after the Franchise is terminated or expires	FA § XVIII (C), Attachment I	No involvement in competing business for two years within a 25-mile radius of your location.
r. Modification of the agreement	FA § XXIII (I)	Must be in writing by both sides.
s. Integration/ merger clause	FA § XXIII (I)	Only the terms of the Franchise Agreement are binding (subject to state

Provision	Section in Agreement	Summary
		law). Any other promises are unenforceable.
t. Disputes resolution by arbitration or mediation	None	None
u. Choice of forum	FA § XXIII (J)	Claims may be brought only in certain state or federal courts located in the state where our principal place of business is located at the time of suit.
v. Choice of law	FA § XXIII (E)	Tennessee law applies.

The table below lists certain important provisions of the Development Agreement. You should read these provisions in the form of Franchise Agreement attached to this Disclosure Document as **Exhibit C**.

Provision	Section in Development Agreement	Summary
(a) Term of Development	§ 5	On the last opening date specified on the Development Schedule.
(b) Renewal or extension of the term	None, but see § 4	If you are in full compliance with the Development Schedule, you may extend development deadlines one time for each Franchise to be developed for up to 6 months upon payment of a fee and advance notice.
(c) Requirements for you to renew or extend	None	None
(d) Termination by you	None	None
(e) Termination by us without cause	None	None
(f) Termination by us with cause	§§ 6 and 7	See subsections (g) and (h) below.
(g) "Cause" defined – defaults which can be cured	§§ 6 and 7	Any other defaults not specified in §§ 6 and 7(a)-(c).

Provision		Section in Development Agreement	Summary
(h)	"Cause" defined – defaults which cannot be cured	§§ 6 and 7	Bankruptcy, insolvency, and other related grounds; failure to meet Development Schedule; formal written notice of default of a franchise agreement that is not cured within stipulated cure period; or termination of a franchise agreement by us due to your or your affiliate's default. Under the U.S. Bankruptcy Code, we may be unable to terminate the Development Agreement merely because you make a bankruptcy filing.
(i)	Your obligations on termination/non–renewal	None	None
(j)	Assignment of contract by us	None	None
(k)	"Transfer" by you – definition	§ 10	Includes a transfer of any interest in the Development Agreement, substantially all of your assets or any transfer of a controlling interest in you (if you are an entity).
(l)	Our approval of transfer by you	§ 10	We are not required to approve a transfer.
(m)	Conditions for our approval of transfer	None	None
(n)	Our right of first refusal to acquire your business	None	None
(o)	Our option to purchase your business	None	None
(p)	Death or disability	None	None
(q)	Non–competition covenants during the term of the Franchise	None	None

Provision		Section in Development Agreement	Summary
(r)	Non–competition covenants after the Franchise is terminated or expires	None	None
(s)	Dispute resolution by arbitration or mediation	None	None
(t)	Modification of the agreement	§ 11(j)	All amendments must be mutually agreed upon and in writing.
(u)	Integration/merger clause	§ 11(i)	Only the terms of the Development Agreement are binding (subject to state law). Any other promises may not be enforced.
(v)	Choice of forum	§ 11(c)	Claims may be brought only in certain state or federal courts located in the state where our principal place of business is located at the time of suit.
(w)	Choice of law	§ 11(b)	Tennessee law applies.

Item 18. PUBLIC FIGURES

We do not use any public figure to promote the Franchise.

Item 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

This representation provides historic financial information about certain of our Affiliate Locations for the specified periods (referred to in this **Item 19** as the "Affiliate Locations").

As of the date of this Disclosure Document there are six Affiliate Locations and no Franchises.

Table 1 – Location Characteristics

Table 1 – Affiliate Locations - Year Open, Square Footage and Outdoor Space			
Locations	**Date Opened**	**Size Sq. Ft.**	**Outdoor Space**
Red Bank, TN	April, 2006	5,200	Yes
East Brainerd, TN	November, 2011	7,800	Yes
Doraville, GA	May, 2015	5,125	Yes
Hixson, TN	July, 2017	5,017	Yes
Southside, TN	May, 2018	4,200	Yes
Madison, AL	July, 2020	6,200	Yes

Table 1 Notes:

1. **Red Bank, TN** located at 1100 Dayton Blvd. Chattanooga, TN is the first and longest running Affiliate Location. It opened in April 2006. Ark One is approximately 5,200 square feet and has a kennel capacity of 60 dog kennels and 15 cat condos. This facility has outdoor play yard space. Each Affiliate Location has a full time salaried general manager who is managed by The Ark Pet Spa & Hotel corporate Regional Manager. This property is owned by The Ark Pet Spa & Hotel affiliate real estate holding company Jaybird Partners, LLC and is leased back at no upcharge to The Ark Red Bank.
2. **East Brainerd, TN** located at 7760 East Brainerd Road, Chattanooga, TN is an Affiliate Location. It opened in November 2011. Ark Two is approximately 7,800 square feet and has a kennel capacity of 72 dog kennels and 15 cat condos. This facility has outdoor play yard space. Each Affiliate Location has a full time salaried general manager who is managed by The Ark Pet Spa & Hotel corporate Regional Manager. This property is owned by The Ark Pet Spa & Hotel affiliate real estate holding company Jaybird Partners, LLC and is leased back at no upcharge to The Ark East Brainerd.
3. **Doraville, GA** located at 6485 Peachtree Ind. Blvd., Doraville, GA is an Affiliate Location. It opened in May 2015. Ark Three land and building was purchased by the affiliate company. The affiliate company remodeled the existing building. Ark Three is approximately 5,125 square feet and has a kennel capacity of 45 dog kennels and 12 cat condos. This facility has outdoor play yard space. Each Affiliate Location has a full time salaried general manager who is managed by The Ark Pet Spa & Hotel corporate Regional

Manager. This property is owned by The Ark Pet Spa & Hotel affiliate real estate holding company Jaybird Partners, LLC and is leased back at no upcharge to The Ark Doraville.

4. **Hixson, TN** located at 5461 Hixson Pike, Chattanooga, TN is an Affiliate Location. It opened in July 2017. Ark Four is 5,017 square feet and has a kennel capacity of 51 dog kennels and 12 cat condos. This facility has outdoor play yard space. Each Affiliate Location has a full time salaried general manager who is managed by The Ark Pet Spa & Hotel corporate Regional Manager. This property is owned by The Ark Pet Spa & Hotel affiliate real estate holding company Jaybird Partners, LLC and is leased back at no upcharge to The Ark Hixson.
5. **Southside, TN** located at 1957 Reggie White Blvd, Chattanooga, TN is an Affiliate Location. It opened in May 2018. Ark Five is the smallest location at just 4,200 square feet and has 51 kennels and 12 cat condos. This facility has outdoor play yard space. Each Affiliate Location has a full time salaried general manager who is managed by The Ark Pet Spa & Hotel corporate Regional Manager. This property is owned by The Ark Pet Spa & Hotel affiliate real estate holding company Jaybird Partners, LLC and is leased back at no upcharge to The Ark Southside.
6. **Madison, AL** located at 7635 Highway 72 West, Madison, AL is an Affiliate Location. It opened in July 2020. Ark Six is 6,200 square feet and has 61 kennels and 12 cat condos. This facility has outdoor play yard space. Each Affiliate Location has a full time salaried general manager who is managed by The Ark Pet Spa & Hotel corporate Regional Manager. This property is owned by The Ark Pet Spa & Hotel affiliate real estate holding company Jaybird Partners, LLC and is leased back at no upcharge to The Ark Madison.

Table 2 – 2006 – 2021 - Combined Gross Revenues and Year-to-Year % Change

Table 2 – Affiliate Locations - Combined Gross Revenues and Year-to-Year % Change 2006 - 2021

Reporting Year	Combined Gross Revenue	% Change	Year-to-Year	Number of Affiliate Locations (counted in Reporting Year)
2006	$235,690	N/A	N/A	1
2007	$488,424	107.2%	2006-2007	1
2008	$596,259	22.1%	2007-2008	1
2009	$694,015	16.4%	2008-2009	1
2010	$767,454	10.6%	2009-2010	1
2011	$849,040	10.6%	2010-2011	2

Table 2 – Affiliate Locations - Combined Gross Revenues and Year-to-Year % Change 2006 - 2021				
Reporting Year	**Combined Gross Revenue**	**% Change**	**Year-to-Year**	**Number of Affiliate Locations (counted in Reporting Year)**
2012	$1,172,823	38.1%	2011-2012	2
2013	$1,534,127	30.8%	2012-2013	2
2014	$1,585,210	3.3%	2013-2014	2
2015	$1,846,591	16.5%	2014-2015	3
2016	$2,219,652	20.2%	2015-2016	3
2017	$2,619,220	18.0%	2016-2017	4
2018	$3,160,070	20.6%	2017-2018	5
2019	$3,485,924	10.3%	2018-2019	5
2020	$2,570,960	-36.6%	2019-2020	6
2021	$3,562,865	38.6%	2020-2021	6

Table 2 Notes:

Table 2 presents the Combined Gross Revenues of all Affiliate Locations in operation at any time from December 1, 2006 to December 31, 2021 (by year) and the percent change from year-to-year of the combined Gross Revenues.

Gross Revenues. The sum of sales of all of the products and services sold, excluding sales tax, credit card fees or any other fees.

Combined Gross Revenues. The sum of the Gross Revenues of all locations in operation during the applicable year.

Percent Change. The percent change in Gross Revenue from year-to-year is calculated by the following formula: (current year Gross Revenues – previous year Gross Revenues) (previous year Gross Revenues) x 100.

Tables 3a and 3b – 2020 / 2021 - Gross Revenue for Affiliate Locations

Table 3a – 2020 Gross Revenue for Affiliate Locations (Open 12+ Months at January 1, 2020)

Category	Location	Gross Revenue (2020)
High Gross Revenue	Red Bank, TN	$835,721
Median Gross Revenue	Median	$485,309
Low Gross Revenue	Doraville, GA	$273,854
Average Gross Revenue	Average	$514,192

Table 3b – 2021 Gross Revenue for Affiliate Locations (Open 12+ Months at January 1, 2021)

Category	Location	Gross Revenue (2021)
High Gross Revenue	Red Bank, TN	$808,224
Median Gross Revenue	Median	$628,379
Low Gross Revenue	Doraville, GA	$336,292
Average Gross Revenue	Average	$593,760

Table 3 Notes:

In 2020: 2 of the 5 (40%) reported locations were above the average of $514,192.

In 2021: 3 of the 6 (50%) reported locations were above the average of $593,760.

Tables 4a and 4b – 2020 / 2021 Gross Revenues, Total Combined Expenses and Net Profit for Affiliate Locations (Open 12+ Months)

Table 4a - Affiliate Locations (Open 12+ Months at January 1, 2020) January 1, 2020 - December 31, 2020					
	Red Bank	**E. Brainerd**	**Doraville**	**Hixson**	**Southside**
Gross Revenue	$835,721	$596,902	$273,854	$485,309	$379,174
Rent	($42,548)	($88,145)	($41,695)	($119,169)	($70,545)
Payroll	($427,766)	($346,633)	($157,015)	($255,708)	($238,559)
Advertising	($2,822)	($2,460)	($2,644)	($1,857)	($2,035)
Utilities	($37,347)	($23,668)	($14,260)	($12,480)	($10,799)
Supplies	($17,967)	($15,801)	($6,180)	($12,005)	($11,083)
Professional Fees	($8,482)	($8,235)	($6,875)	($7,952)	($7,847)
Miscellaneous Expenses	($53,374)	($69,532)	($24,681)	($30,921)	($22,911)
Total Combined Expenses	($590,306)	($554,474)	($253,350)	($440,092)	($363,779)
Net Profit	**$245,415**	**$42,428**	**$20,504**	**$45,217**	**$15,395**

<u>Table 4b</u> - Affiliate Locations (Open 12+ Months at January 1, 2021) January 1, 2021 - December 31, 2021						
	Red Bank	**Brainerd**	**Doraville**	**Hixson**	**Southside**	**Madison**
Gross Revenue	$808,224	$722,370	$336,592	$701,177	$555,583	$438,919
Rent	($55,056)	($107,084)	($75,680)	($71,277)	($66,908)	($61,443)
Payroll	($379,457)	($345,306)	($237,085)	($337,935)	($304,979)	($241,220)
Advertising	($3,146)	($3,096)	($6,271)	($2,521)	($2,452)	($7,521)
Utilities	($50,271)	($26,604)	($14,464)	($14,640)	($11,996)	($14,452)
Supplies	($12,348)	($10,863)	($10,256)	($9,439)	($8,031)	($11,670)
Professional Fees	($9,423)	($9,534)	($8,508)	($8,170)	($8,680)	($8,629)
Miscellaneous Expenses	($43,097)	($40,816)	($18,737)	($27,488)	$19,518)	($30,033)
Total Combined Expenses	($552,797)	($543,302)	($371,001)	$471,471)	($422,564)	($374,967)
Net Profit	**$255,427**	**$179,069**	**($34,409)**	**$229,706**	**$133,019**	**$63,952**

Tables 4a and 4b Notes

The Affiliate Locations vary in several ways including, but not limited to opening year, traffic counts, population density, facility size, capacity, visibility, overall economic health of the area, marketing, varying levels of management experience, labor costs, general business expenses. See Table One for further information regarding Affiliate Location characteristics.

Table 4a does not include the Affiliate Location in Madison, Alabama as it opened in July, 2020.

Gross Revenues. The sum of sales of all of the products and services sold, excluding sales tax, credit card fees or any other fees.

Rent. Rent is the total amount paid to the landlord. Currently, each Affiliate Location is owned by The Ark Pet Spa & Hotel affiliate real estate holding company, Jaybird Partners, LLC. Each affiliate pays Jaybird Partners, LLC rent. Rental rates for franchisees with third party landlords could be higher and will vary widely between regions and should be accounted for when projections are made.

Payroll. Payroll includes all payroll expenses, payroll fees, payroll taxes, and workman's compensation insurance. Each Affiliate Location employs a general manager to run the day to day operations, however, these figures do not include an owner salary. Each owner will have varying levels of involvement in the operations of their Franchise.

Advertising. Advertising expenses include all expenses related to the marketing and advertising. Note that Affiliate Locations are not subject to local advertising requirements.

Utilities. Utilities may include water, sewer, gas, security, electric, telephone, and internet.

Supplies. Supplies including, but not limited to, office supplies, kennel related supplies, and cleaning supplies.

Professional Fees. Professional fees include, but are not limited to bookkeeping, accounting, and legal services.

Miscellaneous Expenses. Miscellaneous expenses include, but are not limited to, credit card fees, cost of goods sold, employment advertising, dues, subscriptions, office expenses, uniforms.

Total Combined Expenses. Total Combined Expenses are the sum of all of the expenses incurred at each Affiliate Location including payroll, payroll taxes, advertising, accounting fees, office expenses, office supplies, rent payments, supplies, credit card fees, security, uniforms, utilities, licenses. Factors impacting expenses include among others location size, payroll, inventory control, supplies, insurance, utilities, services offered, costs of goods sold, advertising, maintenance, and repairs.

Net Profit. Net Profit, also referred to as net income, net earnings or the bottom line — are Gross Revenues less Total Combined Expenses. Net Profit does not include interest, depreciation, amortization, business taxes, property taxes, and other costs and expenses that must be deducted from Gross Revenue figures to obtain net income.

***Note that the expense information for the Affiliate Locations in this Item 19 does not include certain fees due under the Franchise Agreement.** You will incur additional expenses under the Franchise Agreement including, among others, royalties, Brand Fund contributions, adjusted local advertising expenditure requirements. You may also have additional expenses and may be required to pay greater amounts for rent. You should investigate rental costs in your local market.

Also, the Affiliate Locations have the benefit of operating efficiencies across several locations; therefore, certain costs may be less.

Tables 5 – 2021 Guest Spend Statistics

Table Five: The six tables below list various metrics regarding guest spending. We have a detailed number of guests who spend $100.00+, average yearly guest spend, average number of reservations per guest per year, average spend per reservation, top 25 guest average spend per year, the average number of reservations per location per year, and the top guest spend per year. These numbers were compiled from the six Affiliate Locations' point of sale operations software system.

Table 5 2021 Guest Spend Statistics	
Number of guest who spent $100.00+	5,441
Average yearly guest spend	$628.00
Average number of reservations per guest	14
Average number of reservations per year per locations	12,776
Average spend per reservation	$44.39
Top 25 guests average guest spend	$5,255
Top guest spend	$9,598

Table 6 – 2021 Percent of Gross Revenues By Service (Open 12+ Months at December 31, 2021)

2021 Percentage of Gross Revenues				
	Service Type			
Location	**Boarding**	**Daycare**	**Grooming**	**Retail**
Red Bank	55%	33%	11%	1%
East Brainerd	58%	30%	9%	3%
Hixson	50%	27%	22%	1%
Doraville	65%	22%	12%	1%
Southside	50%	32%	17%	1%
Madison	56%	30%	12%	2%
Average	56%	29%	14%	2%
% That attained average	67%	67%	33%	33%
Median	56%	30%	12%	1%

A Special Note About 2020 Revenues and COVID-19:

During 2020, our affiliate temporarily closed several Affiliate Locations, temporarily reduced operational hours, and temporarily cut certain services in accordance with various federal, state and local mandates due to Covid-19. In addition to Covid-19 related problems, our East Brainerd, TN location was shut down for six weeks after sustaining serious damage in a tornado. With each of the operational challenges, each of our Affiliate Locations recorded a positive Net Profit for 2020.

- **Red Bank, TN -** Remained open the entire year.
- **East Brainerd, TN -** Temporarily closed for 5 weeks after sustaining serious tornado damage.
- **Doraville, GA -** Temporarily closed for 6 weeks.
- **Hixson, TN -** Reduced services to grooming only for approximately 5 weeks.
- **Southside, TN -** Temporarily closed for 4 weeks.
- **Madison, AL -** Opened July 2020

We have not made any material changes to The Ark Pet Spa & Hotel concept in response to COVID-19.

* * * * * * * * * * *

These results have not been audited. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

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

There are many factors that will affect your Franchise's financial results. Some of these factors include, but are not limited, to your business acumen, advertising efforts, community involvement, location, and demographics.

Other than this financial performance representation, we do not make any financial performance representations. Your individual financial results may differ from the results stated in this financial performance representation. We also do not authorize our employees or representatives to make any financial performance representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Adam Harbin, at The Ark Franchising, LLC, 3847 Hixson Pike, Chattanooga, TN 37415, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1 System-Wide Outlet Summary for Years 2019 thru 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned or Affiliated Company Owned	2019	4	5	+1
	2020	5	6	+1
	2021	6	6	0
Total Outlets	2019	4	5	+1
	2020	5	6	+1
	2021	6	6	0

Table No. 2 Transfers of Outlets from Franchise Owners to New Owners (Other than the Franchisor) For Years 2019 thru 2021

State	Year	Number of Transfers
Tennessee	2019	0
	2020	0
	2021	0
All other states	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table No. 3 Status of Franchised Outlets for Years 2019 thru 2021

State	Year	Outlets at Start of Year	Outlets Opened	Term-inations	Non-Renewals	Reacquired by Franchisor	Cease Operations ---Other Reasons	Outlets at End of the Year
Tennessee	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
All other states	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Total	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

Table No. 4 Status of Company-Owned or Affiliate-Owned Outlets for Years 2019 thru 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchise Owners	Outlets Closed	Outlets Sold to Franchise Owners	Outlets at End of Year
Alabama	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
Georgia	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Tennessee	2019	3	1	0	0	0	4
	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
Total	2019	4	1	0	0	0	5
	2020	5	1	0	0	0	6
	2021	6	0	0	0	0	6

Table No. 5 Projected Openings as of December 31, 2021

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

Exhibit H-1 lists the names of all current Franchise Owners and the addresses and telephone numbers of their Pet Spa & Hotels as of the date of this Disclosure Document.

Exhibit H-2 lists the name, city and state and the current business telephone number (or, if unknown, the last known home telephone number) of every Franchise Owner who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the System.

As of the date of this Disclosure Document, we have not signed any confidentiality clauses with current or former Franchise Owners. It is possible that in the future, we may sign confidentiality agreements as part of a settlement of a dispute between us and such Franchise Owners. If we ever enter into such a confidentiality agreement with such current and former Franchise Owners, it may restrict their ability to speak openly about their experiences with us.

There are currently no trademark-specific franchisee organizations associated with our System.

Item 21. FINANCIAL STATEMENTS

Exhibit B contains our audited balance sheets dated as of December 31, 2021, December 31, 2020, and December 31, 2019 and the related statements of operations and members' equity and cash flows for the fiscal years then ended. Our fiscal year ends on December 31.

Item 22. CONTRACTS

Attached are copies of the following agreements relating to the offer of the Franchise:

Exhibit C. Franchise Agreement

(1) Site Location Addendum

(2) Guaranty of Franchise Owner's Undertakings

(3) Rider to Lease Agreement

(4) Collateral Assignment of Lease

(5) Subordination, Non-Disturbance and Attornment Agreement

(6) Authorization Agreement for Direct Debits (ACH Debits)

(7) Confidentiality Agreement (Equity Interest Owner)

(8) Confidentiality Agreement (Employees)

(9) Noncompetition Agreement (Equity Interest Owner)

Exhibit D. Area Development Agreement

Exhibit F. State Addenda to Franchise Agreement and Area Development Agreement

RECEIPTS

Two copies of an acknowledgement of your receipt of this Disclosure Document appear at the end of this Disclosure Document. One copy must be signed by you and given to us. The other copy may be retained by you for your records.

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible or the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Bureau Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 (518) 473-2492
North Dakota	North Dakota Securities Department 600 East Boulevard Ave. State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–68-2 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760	
Wisconsin	Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 266-0448	Administrator Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 266-0448

EXHIBIT B

FINANCIAL STATEMENTS

The Ark Franchising, LLC

Report on Financial Statements

For the years ended December 31, 2020 and 2019

MarketStreet.Partners
Business Beyond Numbers

The Ark Franchising, LLC

Contents

MarketStreet.Partners
Certified Public Accountants
807 Market Street, Chattanooga, TN 37402

Independent Auditor's Report

To the Members
The Ark Franchising, LLC
Chattanooga, Tennessee

Report on the Financial Statements
We have audited the accompanying financial statements of The Ark Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the related statements of operations and changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ark Franchising, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Market Street Partners, PLLC

Chattanooga, Tennessee
April 27, 2021

The Ark Franchising, LLC

Balance Sheets

As of December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	$ 1,477	$ 1,818
Accounts receivable due from related party affiliates	6,999	100
Total current assets	8,476	1,918
Property and equipment, net	6,575	6,476
Other assets		
Intangible asset, net	27,151	29,284
Due from related party affiliates and other entities under common control	31,041	59,380
Total other assets	58,192	88,664
Total assets	$ 73,243	$ 97,058
Liabilities and Members' Equity (Deficit)		
Current liabilities		
Accounts payable due to related party affiliates and other entities under common control	$ -	$ 836
Accounts payable and accrued expenses	12,091	49,431
Deferred revenue from related party affiliates	4,000	-
Current portion of long-term debt	21,136	-
Total current liabilities	37,227	50,267
Due to related party affiliates and other entities under common control	66,423	31,019
Long-term debt	40,372	-
Total liabilities	144,022	81,286
Members' equity (deficit)	(70,779)	15,772
Total liabilities and members' equity (deficit)	$ 73,243	$ 97,058

See Notes to Financial Statements

The Ark Franchising, LLC

Statements of Operations and Changes in Members' Equity (Deficit)

For the years ended December 31, 2020 and 2019

	2020	2019
Management fee revenue from related party affiliates	$ 115,200	$ 215,462
Operating expenses	103,793	143,911
Gross profit	11,407	71,551
Selling, general and adminstrative expenses	59,726	49,270
Other income (expenses)		
EIDL loan forgiveness	4,000	-
Interest expense	(2,302)	(1,224)
Total other income (expenses)	1,698	(1,224)
Net income (loss)	(46,621)	21,057
Members' equity (deficit), beginning of year	15,772	(6,693)
Contributions	-	1,408
Distributions	(39,930)	-
Members' equity (deficit), end of year	$ (70,779)	$ 15,772

See Notes to Financial Statements

The Ark Franchising, LLC

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

		2020		2019
Operating activities				
Net income (loss)	$	(46,621)	$	21,057
Adjustments to reconcile net income (loss) to net				
cash provided by operating activities:				
Depreciation		1,990		963
Amortization		2,133		2,133
Forgiveness of EIDL loan		(4,000)		-
Changes in operating assets and liabilities:				
Accounts receivable due from related party affiliates		(6,899)		(100)
Due from related party affiliates and other entities				
under common control		28,339		(59,380)
Accounts payable due to related party affiliates and other entities				
under common control		(836)		836
Accounts payable and accrued expenses		(37,340)		47,053
Deferred revenue from related party affiliates		4,000		-
Due to related party affiliates and other entities				
under common control		35,404		(9,287)
Net cash flows from operating activities		(23,830)		3,275
Investing activities				
Purchases of property and equipment		(2,089)		(2,877)
Net cash flows from investing activities		(2,089)		(2,877)
Financing Activites				
Member contributions		-		1,408
Member distributions		(39,930)		-
Proceeds from EIDL loan		4,000		-
Proceeds from long-term debt		61,508		-
Net cash flows from financing activities		25,578		1,408
Net change in cash		(341)		1,806
Cash, beginning of year		1,818		12
Cash, end of year	$	1,477	$	1,818
Cash paid for:				
Interest	$	1,484	$	1,224
Noncash investing activity:				
Purchases of property and equipment included in accounts payable	$	-	$	2,187

See Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The Ark Franchising, LLC ("the Company") is a limited liability company formed under the laws of the State of Tennessee in 2017, headquartered in Chattanooga, Tennessee. The Company currently has six related party affiliate locations in the southeast United States and provides administrative and operating support to the affiliates which offer a combination of high demand pet services, including boarding, daycare, grooming, trainings, and retail products.

The members of the Company own 100% of the six related party affiliate locations. Pursuant to the policy to apply the accounting alternative to certain entities under common control, the Company does not consolidate the accounts of its related party affiliates.

Basis of accounting:

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative GAAP.

Estimates and uncertainties:

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash:

The Company maintains at various financial institutions cash accounts which may exceed federally insured amounts at times and which may at times significantly exceed balance sheet amounts due to outstanding checks.

Accounts receivable due from related party affiliates:

Accounts receivable consist of amounts due from related party affiliates which are expected to be paid within one year of the balance sheet date. Management considers all accounts collectible and, therefore, an allowance for doubtful accounts has not been recognized in the financial statements. As accounts are deemed uncollectible, they are charged to bad debt expense.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Depreciation of property and equipment is provided on the straight-line method for financial reporting purposes.

Note 1. Nature of Business and Significant Accounting Policies, Continued

Intangible assets:

Intangible asset consists of startup costs associated with becoming a franchisor and are amortized using the straight-line method over a fifteen-year period. Accumulated amortization totaled $4,849 and $2,716 as of December 31, 2020 and 2019, respectively.

Amortization expense totaled $2,133 for the years ended December 31, 2020 and 2019 and is expected to be $2,133 for the next thirteen years.

Deferred revenue from related party affiliates:

Deferred revenue from related party affiliates consists of cash collected by the company from related party affiliates for services not yet performed and recognized as revenue.

Revenue recognition:

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company collects revenue for rendering management training, marketing assistance, facility operational assistance, and other services to the six related party affiliate locations. The Company recognizes revenue from the related party affiliates as a management fee for services rendered based on time and services as they are performed throughout the year. Currently, there is no uniform or required management fee the related party affiliates are obligated to pay.

Income taxes:

The Company is organized as a limited liability company and the members are liable for their proportionate share of the Company's taxable income. Therefore, no provision for income taxes is reflected in these financial statements. The Company files a federal income tax return.

The Company has adopted the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no uncertain tax positions as of December 31, 2020 and 2019.

Note 1. Nature of Business and Significant Accounting Policies, Continued

Advertising costs:

Advertising costs are charged to operations as incurred. Advertising expenses totaled $6,210 and $7,391 for the years ended December 31, 2020 and 2019, respectively.

Recently issued accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For nonpublic entities, the new standard is effective for interim and annual reporting period beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of Topic 842 on its financial statements.

Subsequent events:

The Company has evaluated subsequent events for potential recognition and disclosure through the date of the independent auditor's report, the date the financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment consists of the following:

	2020	2019
Computers and hardware	$ 5,644	$ 3,555
Furniture and fixtures	4,005	4,005
	9,649	7,560
Less accumulated depreciation	(3,074)	(1,084)
	$ 6,575	$ 6,476

Depreciation expense for the years ended December 31, 2020 and 2019 totaled $1,990 and $963, respectively.

Note 3. Long-Term Debt

Long-term debt consists of the following:

	2020	2019
Small Business Administration ("SBA") loan payable, monthly principal and interest payments of $170 beginning in June 2022, bearing interest at fixed rate of 3.75%; due in June 2050, secured by substantially all assets of the Company	$ 34,700	$ -

Note 3. Long-Term Debt, Continued

Paycheck Protection Program – monthly principal and interest payments of $1,509, bearing an interest at fixed rate of 1.0%; due in April 2022	26,808	-
	61,508	-
Less current portion	21,136	-
Long-term portion	$ 40,372	$ -

Future maturities of long-term debt as of December 31, 2020 are as follows:

Year ending	
December 31, 2021	$ 21,136
December 31, 2022	6,744
December 31, 2023	748
December 31, 2024	777
December 31, 2025	807
Thereafter	31,296
	$ 61,508

The Company's debt agreements contain covenants that place certain restrictions on the use of the funds.

In April 2020, the Company entered into a PPP Loan pursuant to the Paycheck Protection Program under the CARES Act in a principal amount of $26,808. The loan bears interest at a fixed rate of 1.0% per year, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration ("SBA"). The Company intends to apply to the lender for forgiveness of the loan, with the amount which may be forgiven equal to the sum of payroll costs, covered rent obligations, and covered utility payments incurred by the Company during the permitted period beginning on April 17, 2020, calculated in accordance with terms of the CARES Act. The Company's eligibility for the loan, expenditures that qualify toward forgiveness, and the final balances of the loan that may be forgiven are subject to audit and final approval by the SBA. To the extent that all or part of the loan is not forgiven, the Company will be required to pay interest at 1.0% whereby all accrued interest and principal will be payable on the maturity date in April 2022. Payments begin 7 months after the end of the Company's loan forgiveness covered period in accordance with the Paycheck Protection Program Flexibility Act of 2020. The loan may be accelerated upon the occurrence of an event of default, including if the SBA subsequently reaches an audit determination that the Company does not meet the eligibility criteria.

During the year ended December 31, 2020, the Company also received an Economic Injury Disaster Loan in the amount of $4,000. The Economic Injury Disaster Loan does not have to be repaid, and as a result, the Company recognized this amount in other income for the year ended December 31, 2020.

Note 4. Related Party Transactions

The Company regularly enters into transactions with its related party affiliates. Additionally, the Company regularly pays expenses on behalf of the related party affiliates to certain entities which are under common control of the members. These expenses include rent expense and decorating & design expenses. Transactions and outstanding balances with related parties and entities under common control are summarized below:

	2020	2019
Accounts receivable due from related party affiliates		
Ark Hixson, LLC	$ 615	$ -
Doraville Ark, LLC	2,652	100
Ark Madison, LLC	1,728	-
Ark Red Bank, LLC	643	-
Ark East Brainerd, LLC	718	-
Ark Southside, LLC	643	-
	$ 6,999	$ 100
Due from related party affiliates and other entities under common control		
Ark Madison, LLC	$ 3,233	$ 16,416
Ark East Brainerd, LLC	13,190	10,054
Jaybird Partners, LLC	14,618	32,910
	$ 31,041	$ 59,380
Accounts payable due to related party affiliates and other entities under common control		
Ark Hixson, LLC	$ -	$ 115
Ark Red Bank, LLC	-	90
Ark East Brainerd, LLC	-	163
Jaybird Partners, LLC	-	468
	$ -	$ 836
Deferred revenue from related party affiliates		
Ark East Brainerd, LLC	$ 2,000	$ -
Ark Hixson, LLC	2,000	-
	$ 4,000	$ -
Due to related party affiliates and other entities under common control		
Ark Hixson, LLC	$ 28,832	$ 1,509
Doraville Ark, LLC	19,070	20,144
Ark Red Bank, LLC	7,295	3,516
Ark Southside, LLC	10,226	5,850
Nell's Interior Design	1,000	-
	$ 66,423	$ 31,019

Note 4. Related Party Transactions, Continued

		2020		2019
Management fee revenue from related party affiliates				
Ark Hixson, LLC	$	43,200	$	72,855
Doraville Ark, LLC		-		2,094
Ark Red Bank, LLC		22,500		30,870
Ark East Brainerd, LLC		31,500		74,203
Ark Southside, LLC		18,000		35,440
	$	115,200	$	215,462

		2020		2019
Related party rent expense				
Jaybird Partners	$	4,700	$	3,500

Note 5. Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the company. To date, the Company is not experiencing a significant decline in operations because its business activities are deemed “essential” and not currently subject to forced closure.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including impairment losses on long-lived assets and contingent obligations.

The Ark Franchising, LLC

Report on Financial Statements

For the years ended December 31, 2021 and 2020

The Ark Franchising, LLC

Report on Financial Statements

For the years ended December 31, 2021 and 2020

MarketStreet Partners
Business Beyond Numbers

The Ark Franchising, LLC

Contents

MarketStreet.Partners
Certified Public Accountants

807 Market Street, Chattanooga, TN 37402

Independent Auditor's Report

To the Members
The Ark Franchising, LLC
Chattanooga, Tennessee

Opinion
We have audited the financial statements of The Ark Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of operations and changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Market Street Partners, PLLC

Chattanooga, Tennessee
March 25, 2022

The Ark Franchising, LLC

Balance Sheets

As of December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	$ 5,823	$ 1,477
Accounts receivable due from related party affiliates	5,434	6,999
Current portion of deferred commissions	175	-
Other current assets	7,136	-
Total current assets	18,568	8,476
Property and equipment, net	4,118	6,575
Noncurrent assets		
Intangible asset, net	25,018	27,151
Due from related party affiliates and entities under common control	10,226	31,041
Long-term portion of deferred commissions	3,325	-
Total noncurrent assets	38,569	58,192
Total assets	$ 61,255	$ 73,243
Liabilities and Members' Deficit		
Current liabilities		
Accounts payable and accrued expenses	$ 22,333	$ 12,091
Deferred management fees from related party affiliates	-	4,000
Current portion of deferred franchsing revenue	12,475	-
Current portion of long-term debt	364	21,136
Total current liabilities	35,172	37,227
Noncurrent liabilities		
Due to related party affiliates and entities under common control	74,262	66,423
Long-term portion of deferred franchising revenue	47,025	-
Long-term debt	34,336	40,372
Total noncurrent liabilities	155,623	106,795
Total liabilities	190,795	144,022
Members' deficit	(129,540)	(70,779)
Total liabilities and members' deficit	$ 61,255	$ 73,243

See Notes to Financial Statements

The Ark Franchising, LLC

Statements of Operations and Changes in Members' Equity (Deficit)

For the years ended December 31, 2021 and 2020

	2021	2020
Revenue from related party affiliates		
Management fees	32,069	$ 115,200
Royalty fees	125,115	-
	157,184	115,200
Operating costs		
Payroll and related expenses	183,159	103,793
Selling, general and administrative	106,112	33,384
Professional fees	61,621	8,323
Legal expenses	38,703	3,720
Advertising expenses	26,597	5,477
Related party rent expense	25,440	4,700
Depreciation and amortization	4,590	4,122
	446,222	163,519
Operating Loss	(289,038)	(48,319)
Other income (expenses)		
EIDL loan forgiveness	-	4,000
PPP loans forgiveness	53,616	-
Interest expense	(1,301)	(2,302)
	52,315	1,698
Net loss	(236,723)	(46,621)
Members' equity (deficit), beginning of year	(70,779)	15,772
Contributions	177,962	-
Distributions	-	(39,930)
Members' deficit, end of year	$ (129,540)	$ (70,779)

See Notes to Financial Statements

The Ark Franchising, LLC

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

		2021		2020
Operating activities				
Net loss	$	(236,723)	$	(46,621)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation		2,457		1,990
Amortization		2,133		2,133
EIDL loan forgiveness		-		(4,000)
PPP loans forgiveness		(53,616)		-
Changes in operating assets and liabilities:				
Accounts receivable due from related party affiliates		1,565		(6,899)
Deferred commissions		(3,500)		-
Other current assets		(7,136)		-
Due from related party affiliates and entities under common control		20,815		28,339
Accounts payable due to related party affiliates		-		(836)
Accounts payable and accrued expenses		10,242		(37,340)
Deferred management fees from related party affiliates		(4,000)		4,000
Deferred franchising revenue		59,500		-
Due to related party affiliates and entities under common control		7,839		35,404
Net cash flows from operating activities		(200,424)		(23,830)
Investing activities				
Purchases of property and equipment		-		(2,089)
Net cash flows from investing activities		-		(2,089)
Financing Activities				
Proceeds from EIDL loan		-		4,000
Proceeds from long-term debt		-		61,508
Proceeds from PPP loan #2		26,808		-
Member contributions		177,962		-
Member distributions		-		(39,930)
Net cash flows from financing activities		204,770		25,578
Net change in cash		4,346		(341)
Cash, beginning of year		1,477		1,818
Cash, end of year	$	5,823	$	1,477
Cash paid for:				
Interest	$	-	$	1,484
Noncash financing activity:				
PPP loans forgiveness	$	53,616	$	-

See Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The Ark Franchising, LLC ("the Company") is a limited liability company formed under the laws of the State of Tennessee in 2017, headquartered in Chattanooga, Tennessee. The Company currently has six related party affiliate locations in the southeast United States and provides administrative and operating support to the affiliates which offer a combination of high demand pet services, including boarding, daycare, grooming, trainings, and retail products. The Company intends to franchise and license The Ark to various franchisees throughout the United States beginning in 2022.

The members of the Company own 100% of the six related party affiliate locations. Pursuant to the policy to apply the accounting alternative to certain entities under common control, the Company does not consolidate the accounts of its related party affiliates.

Basis of accounting:

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative GAAP.

Estimates and uncertainties:

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash:

The Company maintains at various financial institutions cash accounts which may exceed federally insured amounts at times and which may at times significantly exceed balance sheet amounts due to outstanding checks.

Accounts receivable due from related party affiliates:

Accounts receivable consist of amounts due from related party affiliates which are expected to be paid within one year of the balance sheet date. Management considers all accounts collectible and, therefore, an allowance for doubtful accounts has not been recognized in the financial statements. As accounts are deemed uncollectible, they are charged to bad debt expense.

Deferred commissions:

Deferred commissions consist of commission fees paid for securing new franchising agreements. These amounts will be recognized and amortized on a straight-line basis over the length of their respective franchising agreements. As of and for the year ended December 31, 2021, the Company paid commissions in the amount of $3,500 and recorded $175 and $3,325 as current and long-term deferred commissions, respectively, in conjunction with these contract assets.

Note 1. Nature of Business and Significant Accounting Policies, Continued

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Depreciation of property and equipment is provided on the straight-line method for financial reporting purposes.

Intangible asset:

Intangible asset consists of startup costs associated with becoming a franchisor and are amortized using the straight-line method over a fifteen-year period. Accumulated amortization totaled $6,982 and $4,849 as of December 31, 2021 and 2020, respectively.

Amortization expense totaled $2,133 for the years ended December 31, 2021 and 2020 and is expected to be $2,133 for the next twelve years.

Deferred management fees from related party affiliates:

Deferred management fees from related party affiliates consists of cash collected by the Company from related party affiliates for services not yet performed.

Revenue recognition:

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company collects management fee revenues for rendering management training, marketing assistance, facility operational assistance, and other services to six related party affiliate locations. Through May 2021, the Company recognized revenue from the related party affiliates as a management fee for services rendered based on time and services as they are performed throughout the year. There was no uniform or required management fee the related party affiliates were obligated to pay. During May 2021, the Company entered into an Affiliate Royalty Policy Agreement with its affiliates and discontinued recognizing management fees from its affiliates.

Note 1. Nature of Business and Significant Accounting Policies, Continued

The Affiliate Royalty Policy Agreement requires weekly royalty fees from the Company's six related party affiliate locations. Royalty fees are determined by percentages, ranging from 2.75%-5.5%, of total weekly affiliate revenues. Royalty fees are recognized as the underlying affiliate revenues occur. Unbilled royalty fees earned and due from affiliates are included in other current assets and was $3,386 as of December 31, 2021.

During July 2021, the Company entered into a franchise agreement with a franchisee. During 2021, the Company collected $49,500 for the initial franchise fee and $10,000 for a site selection and development fee. The franchisee is expected to begin operations in July 2022. As of December 31, 2021, the Company recorded $12,475 and $47,025 as a current and long-term deferred franchising revenue, respectively. The transaction price allocated to remaining performance obligations is as follows:

Year ending	
December 31, 2022	$ 12,475
December 31, 2023	4,950
December 31, 2024	4,950
December 31, 2025	4,950
December 31, 2026	4,950
Thereafter	27,225
	$ 59,500

The Company spent $3,750 in conjunction with site selection and development activities during the year ended December 31, 2021 and recorded this amount in other current assets as of December 31, 2021.

Income taxes:

The Company is organized as a limited liability company and the members are liable for their proportionate share of the Company's taxable income. Therefore, no provision for income taxes is reflected in these financial statements. The Company files a federal income tax return.

The Company has adopted the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no uncertain tax positions as of December 31, 2021 and 2020.

Advertising costs:

Advertising costs are charged to operations as incurred. Advertising expenses totaled $26,597 and $5,477 for the years ended December 31, 2021 and 2020, respectively.

Note 1. Nature of Business and Significant Accounting Policies, Continued

Recently issued accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For nonpublic entities, the new standard is effective for interim and annual reporting period beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of Topic 842 on its financial statements.

Reclassifications:

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events:

The Company has evaluated subsequent events for potential recognition and disclosure through the date of the independent auditor's report, the date the financial statements were available to be issued.

Note 2. Operations

As of December 31, 2021 and 2020, the Company recorded current assets in the amount of $18,568 and $8,476, respectively, and recorded current liabilities in the amount of $35,172 and $37,227, respectively. The Company has recognized an operating loss in the amount of $289,038 and $48,319 for the years ending December 31, 2021 and 2020, respectively. The Company anticipates cash flows from franchise fees will commence in July 2022 and anticipates additional royalty fees to be received from the Company's affiliates during 2022. Management believes that these plans are reasonably obtainable and will result in profitability. The members are committed to funding operations of the Company, if necessary.

Note 3. Property and Equipment

Property and equipment consists of the following classifications as of December 31st:

	2021	2020
Computers and hardware	$ 5,644	$ 5,644
Furniture and fixtures	4,005	4,005
	9,649	9,649
Less accumulated depreciation	(5,531)	(3,074)
	$ 4,118	$ 6,575

Depreciation expense for the years ended December 31, 2021 and 2020 totaled $2,457 and $1,990, respectively .

Note 4. Long-Term Debt

Long-term debt consists of the following as of December 31st:

	2021	2020
Small Business Administration ("SBA") loan payable, monthly principal and interest payments of $170 beginning in June 2022, bearing interest at fixed rate of 3.75%; due in June 2050, secured by substantially all assets of the Company	$ 34,700	$ 34,700
PPP loan #1 – monthly principal and interest payments of $1,509, bearing an interest at fixed rate of 1.0%; forgiven in June 2021	$ -	$ 26,808
	34,700	61,508
Less current portion	(364)	(21,136)
	$ 34,336	$ 40,372

Future maturities of long-term debt as of December 31, 2021 are as follows:

Year ending	
December 31, 2022	$ 364
December 31, 2023	749
December 31, 2024	778
December 31, 2025	807
December 31, 2026	838
Thereafter	31,164
	$ 34,700

During the year ended December 31, 2020, the Company received an Economic Injury Disaster Loan in the amount of $4,000. The Economic Injury Disaster Loan does not have to be repaid, and as a result, the Company recognized this amount in other income for the year ended December 31, 2020.

Note 5. Paycheck Protection Program ("PPP") Loans

In April 2020, the Company entered into a PPP loan (PPP loan #1) pursuant to the Paycheck Protection Program under the CARES Act in a principal amount of $26,808. In January 2021, the Company entered into a second PPP loan (PPP loan #2) pursuant to the Paycheck Protection Program under the CARES Act in a principal amount of $26,808. The loans stated interest at a fixed rate of 1.0% per year, with the first six months of interest deferred, had terms of two years, and were unsecured and guaranteed by the U.S. Small Business Administration ("SBA"). In April 2021, the Company applied to the lender for forgiveness of PPP loan #1. In June 2021, the Company applied to the lender for forgiveness of PPP loan #2. The amounts which may be forgiven equal to the sum of payroll costs, covered rent obligations, and covered utility payments incurred by the Company during the permitted periods as calculated in accordance with the terms of the CARES Act. In June 2021, the Company was fully forgiven for the PPP loan #1 principal and unpaid interest of $26,808. In August 2021, the Company was fully forgiven for the PPP loan #2 principal and unpaid interest of $26,808. Accordingly, the Company has recognized $53,616 of PPP loans forgiveness as other income for the year ended December 31, 2021.

Note 6. Related Party Transactions

The Company regularly enters into transactions with its related party affiliates. Additionally, the Company regularly pays expenses on behalf of the related party affiliates to certain entities which are under common control of the members. These expenses include rent expense and decorating & design expenses. Transactions and outstanding balances with related parties and entities under common control as of and for the years ended December 31st, are summarized below:

	2021	2020
Accounts receivable due from related party affiliates		
Ark Hixson, LLC	$ 638	$ 615
Doraville Ark, LLC	638	2,652
Ark Madison, LLC	638	1,728
Ark Red Bank, LLC	638	643
Ark East Brainerd, LLC	638	718
Nell's Interior Design	1,606	-
Ark Southside, LLC	638	643
	$ 5,434	$ 6,999
Accrued royalties due from related party affiliates in other currents assets		
Ark Doraville, LLC	$ 489	$ -
Ark East Brainerd, LLC	843	-
Ark Hixson, LLC	516	-
Ark Red Bank, LLC	800	-
Ark Southside, LLC	563	-
Ark Madison, LLC	175	-
	$ 3,386	$ -
Due from related party affiliates and entities under common control		
Ark Madison, LLC	$ 3,384	$ 3,233
Ark East Brainerd, LLC	3,453	13,190
Jaybird Partners, LLC	3,389	14,618
	$ 10,226	$ 31,041
Deferred management fees from related party affiliates		
Ark East Brainerd, LLC	$ -	$ 2,000
Ark Hixson, LLC	-	2,000
	$ -	$ 4,000
Due to related party affiliates and entities under common control		
Ark Hixson, LLC	$ 47,445	$ 28,832
Doraville Ark, LLC	10,683	19,070
Ark Red Bank, LLC	6,295	7,295
Ark Southside, LLC	9,839	10,226
Nell's Interior Design	-	1,000
	$ 74,262	$ 66,423

Note 6. Related Party Transactions, Continued

		2021		2020
Management fees from related party affiliates				
Ark Hixson, LLC	$	9,569	$	43,200
Ark Red Bank, LLC		3,500		22,500
Ark East Brainerd, LLC		12,500		31,500
Ark Southside, LLC		6,500		18,000
	$	32,069	$	115,200
Royalty fees from related party affiliates				
Ark Doraville, LLC	$	13,443	$	-
Ark East Brainerd, LLC		26,321		-
Ark Hixson, LLC		28,442		-
Ark Red Bank, LLC		28,021		-
Ark Southside, LLC		20,627		-
Ark Madison, LLC		8,261		-
	$	125,115	$	-

During 2021, the Company hired an accountant that also performs employment services on behalf the Company's affiliates. During the year ended December 31, 2021, the Company reduced selling, general and administrative expenses in the amount of $22,968 to allocate payroll expense paid by the Company that were performed in conjunction with employment services rendered on behalf of the affiliates and were reimbursed to the Company by its affiliates.

Note 7. Leasing Arrangements

The Company has a facility operating lease with a member-owned entity which expires January 2041. Future minimum lease payments under noncancellable operating leases with remaining lease terms in excess of one year as of December 31, 2021 are as follows:

Year ending		
December 31, 2022	$	25,808
December 31, 2023		25,808
December 31, 2024		25,808
December 31, 2025		25,808
December 31, 2026		25,808
Thereafter		361,309
	$	490,349

		2021		2020
Related party rent expense				
Jaybird Partners	$	25,400	$	4,700

Note 8. Commitments and Contingencies

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In management's opinion, outstanding matters of which the Company has knowledge would not have a material adverse effect on the Company's financial position and results of operations.

Note 9. Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the company. To date, the Company is not experiencing a significant decline in operations because its business activities are deemed "essential" and not currently subject to forced closure. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including impairment losses on long-lived assets and contingent obligations.

EXHIBIT C

FRANCHISE AGREEMENT

STANDARD FRANCHISE AGREEMENT

The Ark Pet Spa & Hotel

Franchise #: ___________________________________

Franchise Owner: ______________________________

Date: ____

Territory: ____________________________________

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") made and entered into as of the date set forth below, by and between The Ark Franchising, LLC (hereinafter referred to as "The Ark Franchising, LLC," the "Franchisor" or the "Company"), a Tennessee limited liability company, with its principal place of business located at 3847 Hixson Pike, Chattanooga, TN 37415____
and____

____
____
____(the "Franchise Owner").

The date of this Agreement is: ______________________ (the "Effective Date").

WHEREAS, Franchisor is engaged in the business of licensing the operation by others of The Ark Pet Spa & Hotel known as "The Ark Pet Spa & Hotel" (the "The Ark Pet Spa & Hotel," the "Franchise," the "Franchised Facility" or the "Franchised Location"); and

WHEREAS, Franchisor and its affiliates have originated, developed and perfected a unique and successful system for the establishment and operation of The Ark Pet Spa & Hotels, which system includes, but is not limited to, site selection, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, equipment selection and installation, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training and a confidential manual (the "Manual") of operating procedures containing specially conceived and designed methods for The Ark Pet Spa & Hotel operations (the "System"); and

WHEREAS, all The Ark Pet Spa & Hotels are operated under various trade names, trademarks and service marks consisting of or containing the words "The Ark Pet Spa & Hotel" and certain related logos, symbols, words and insignias (the "Proprietary Marks"); and

WHEREAS, Franchisor has made a substantial investment in developing and perfecting the System, and in advertising, promoting and publicizing the Proprietary Marks, of which are recognized as representing the highest standards of quality, cleanliness, appearance and service; and

WHEREAS, Franchise Owner desires to establish and operate The Ark Pet Spa & Hotel at the location hereinafter designated, to use in connection therewith the Franchisor's System and the Proprietary Marks and to derive the benefits of Franchisor's information, experience, advice, guidance and customer goodwill; and

WHEREAS, Franchise Owner recognizes the importance to Franchisor, to its other franchise owners and to the public of maintaining the integrity, standards, qualities and attributes of products and services associated with the Proprietary Marks and is willing to adhere to certain uniform standards, procedures and policies to maintain such integrity, standards, qualities and attributes;

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. GRANT OF FRANCHISE

A. Grant

Franchisor hereby grants to Franchise Owner and Franchise Owner hereby accepts, a Franchise under the terms and conditions as set forth herein for the right to operate The Ark Pet Spa & Hotel at the location identified on Attachment A, or, if the location has not been identified as of the Effective Date, at a location determined in accordance with Section IV.A. Franchisor also hereby grants, and the Franchise Owner hereby accepts a non-exclusive and personal license to use the Franchisor's Proprietary Marks, its advertising and merchandising methods, and the Franchisor's System provided the Franchise Owner shall adhere to the terms and conditions hereof.

B. Protected Territory

If the location has been determined as of the date of this Agreement, the "Protected Territory" shall be described on Attachment A. If the Protected Territory is not designated as of the Effective Date because Franchisor Owner has not obtained Franchisor's consent to the Franchise location, Franchisor will designate the Protected Territory by written notice to Franchise Owner when Franchisor consents to the location as provided in Section IV.A. The precise size and boundaries of the Protected Territory awarded to Franchise Owner after location approval will be determined by Franchisor in its sole discretion and may consist of a radius around Franchise Owner's approved site, city boundaries, zip codes, streets, polygons, or any other boundaries. Except as provided herein, so long as Franchise Owner is in full compliance with this Agreement, neither Franchisor nor any affiliate will establish a The Ark Pet Spa & Hotel business selling the same or similar products or services under the Proprietary Marks within the Protected Territory. Franchisor may (a) operate businesses or grant franchises for the operation of businesses that offer similar products and/or services under names and marks other than the Proprietary Marks anywhere; (b) operate businesses or grant franchises for the operation of businesses that offer similar products and/or services under the Proprietary Marks in Captive Venues. A "Captive Venue" includes venues that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area such as airports, arenas, stadiums, hospitals, amusement parks, state or national parks and military forts, posts or bases, whether in existence now or in the future in the Protected Territory; and (c) offer or sell products or services under the Proprietary Marks or any other marks through other channels of distribution within or outside the Territory including Internet, catalog sales, telemarketing or other direct marketing sales ("alternative distribution channels"). Franchisor reserves all rights with respect to the Protected Territory not expressly granted herein.

II. TERM AND RENEWAL

A. Term

This Agreement shall be effective and binding for an initial term equal to ten (10) years from the date of this Agreement, unless terminated earlier pursuant to the provisions hereof.

B. Renewal

Franchise Owner shall have the right to renew this Franchise at the expiration of the initial term of the Franchise for two (2) additional successive terms of ten (10) years, provided that all of the following conditions have been fulfilled:

1. Franchise Owner has given Franchisor written notice of Franchise Owner's election to renew the term of this Agreement no later than ninety (90) days prior to the end of the then-current term;

2. Franchise Owner has, during the entire term of this Agreement, substantially complied with all its provisions;

3. Franchise Owner maintains possession of The Ark Pet Spa & Hotel and by the expiration date of this Agreement has brought The Ark Pet Spa & Hotel into full compliance with the specifications and standards then applicable for The Ark Pet Spa & Hotel and presents evidence satisfactory to Franchisor that it has the right to remain in possession of The Ark Pet Spa & Hotel for the duration of any renewal term;

4. Franchise Owner has satisfied all monetary obligations owed by Franchise Owner to Franchisor and all of Franchisor's Affiliates and has timely met such obligations throughout the term of this Agreement;

5. Franchise Owner has executed Franchisor's then-current form of franchise agreement (with appropriate modifications to reflect the fact that the said agreement relates to the grant of a renewal franchise), which agreement shall supersede in all respects this Agreement, the terms of which may differ from the terms of this Agreement, including, without limitation, a higher continuing Royalty Fee and/or local advertising expenditure and additional fees; provided, however, Franchise Owner shall not be required to pay the then-current initial franchise fee, but shall pay a renewal fee of ten percent (10%) of the then-current initial franchise fee;

6. Each owner of an Equity Interest (as hereinafter defined) in Franchise Owner (and if such owner is not a natural person, then the natural person(s) owning, directly or indirectly, an Equity Interest in such owner) has, individually, guaranteed the performance of all obligations of Franchise Owner by executing and delivering the then-current form of guaranty prescribed by Franchisor. For purposes of this Agreement, "Equity Interest" shall mean any stock, partnership, membership, unit or other ownership interest in Franchise Owner or any subsidiary or affiliate of Franchise Owner;

7. Franchise Owner has complied with Franchisor's the then-current qualification and training requirements; and

8. Franchise Owner has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and Franchisor's Affiliates and their respective directors, agents and employees.

III. COMMENCEMENT OF OPERATIONS

Franchise Owner agrees to open and commence operation of The Ark Pet Spa & Hotel as soon as practicable after construction and/or remodeling of The Ark Pet Spa & Hotel. At Franchisor's option, this Agreement may be terminated for voluntary abandonment of the Franchise in the event Franchise Owner fails, within twelve (12) months after the date of this Agreement, to completely construct and/or remodel, equip, furnish and open to the public The Ark Pet Spa & Hotel that is approved by Franchisor in accordance with this Agreement. In the event Franchise Owner does not commence operating The Ark Pet Spa & Hotel within the time period set forth herein, such failure shall be deemed a breach of this Agreement pursuant to which Franchisor shall have the right to terminate this Agreement and retain the Initial Franchise Fee as liquidated damages, not as a penalty. Where Franchise Owner has exhibited due diligence in complying with this Section III, Franchisor may, at its option and in its sole discretion, consent in writing to an extension of the period of time specified herein.

IV. DESIGN OF THE ARK PET SPA & HOTEL

A. Site Approval

If the location for the Franchise has been agreed upon and set forth on Attachment A as of the Effective Date, this Section shall be inapplicable. If the location of the Franchise is not determined as of the Effective Date, then the geographic area in which the Franchised Center is to be located shall be within the geographic area described in Attachment A (the "Designated Area"). The Designated Area is delineated for the sole purpose of site selection and any and all rights to the Designated Area shall automatically expire when the Protected Territory has been determined in accordance with the provisions of this Agreement or 180 days after the Effective Date, whichever is earlier.

Franchise Owner must locate a site for The Ark Pet Spa & Hotel within the Designated Area and obtain the approval of Franchisor with respect to such site before signing any lease, sublease, or other agreement that grants Franchise Owner a real property interest for the location. Approval by Franchisor of a proposed site will be given (if given at all) after Franchisor has reviewed all information required to be submitted by Franchise Owner regarding the proposed site and after Franchisor, in its sole and absolute discretion, has visited the proposed site. Upon Franchisor's consent to the location for the Franchise, and after Franchise Owner secures the location, Franchisor will designate the Protected Territory as provided in Section 1.B. Franchise Owner may operate the Franchise only at the approved site. Franchise Owner agrees to completely construct and/or remodel, equip and furnish The Ark Pet Spa & Hotel in accordance with Franchisor's specifications with respect to design, equipment layout, decor, color scheme and signage, all at the expense of Franchise Owner. Franchise Owner shall be responsible for and shall pay all expenses associated with the preparation of plans for construction of The Ark Pet Spa & Hotel, which plans shall be subject to approval by Franchisor. Franchise Owner shall ensure that such plans comply with all codes, regulations and ordinances that are applicable to the construction and/or remodeling of The Ark Pet Spa & Hotel.

FRANCHISOR ASSUMES NO DUTY TO REVIEW, INSPECT OR APPROVE THE CONSTRUCTION OF THE ARK PET SPA & HOTEL WITH RESPECT TO COMPLIANCE WITH THE APPROVED PLANS OR ANY LEGAL REQUIREMENTS, INCLUDING THE AMERICANS WITH DISABILITIES ACT. ANY REVIEW, INSPECTION OR APPROVAL BY FRANCHISOR IS SOLELY FOR THE PURPOSE OF DETERMINING THE PROGRESS OF CONSTRUCTION OF THE ARK PET SPA & HOTEL AND AUTHORIZING THE OPENING OF THE ARK PET SPA & HOTEL. AUTHORIZATION BY FRANCHISOR TO OPEN THE ARK PET SPA & HOTEL IS PERMISSION ONLY AND NOT A REPRESENTATION, WARRANTY OR ASSURANCE:

1. THAT THE ARK PET SPA & HOTEL HAS BEEN CONSTRUCTED IN ACCORDANCE WITH THE APPROVED PLANS; OR

2. WITH RESPECT TO THE QUALIFICATIONS, CAPABILITIES, SUITABILITY, ADEQUACY OR PERFORMANCE OF ANY PERSON INVOLVED IN THE CONSTRUCTION OF THE ARK PET SPA & HOTEL; OR

3. THAT ALL OR ANY PART OF THE ARK PET SPA & HOTEL AS CONSTRUCTED IS SAFE, SUITABLE, FIT OR PROPER FOR ITS INTENDED USE OR PURPOSE, OR

4. THAT THE CONSTRUCTION OF THE ARK PET SPA & HOTEL HAS BEEN PERFORMED IN A WORKMANLIKE MANNER AND IN COMPLIANCE WITH ALL LEGAL REQUIREMENTS. THIS APPLIES EVEN THOUGH FRANCHISOR MAY HAVE COMMENTED ON ANY OF THESE MATTERS IN CONNECTION WITH ANY REVIEW, INSPECTION OR APPROVAL. FRANCHISOR HAS NO LIABILITY TO FRANCHISE OWNER, FRANCHISE OWNER'S AFFILIATES OR ANY THIRD PARTY WITH RESPECT TO THE CONSTRUCTION OF THE ARK PET SPA & HOTEL OR FRANCHISE OWNER'S ACTIVITIES.

B. Prior Approval by Franchisor

Franchise Owner shall not proceed with construction and/or remodeling of The Ark Pet Spa & Hotel until Franchise Owner has:

1. Obtained Franchisor's prior written approval of: (i) the location of The Ark Pet Spa & Hotel and the suitability of the location for use as The Ark Pet Spa & Hotel; (ii) the terms of the lease for the location of The Ark Pet Spa & Hotel; and (iii) any plans drafted by Franchise Owner's architect from the Franchisor's construction materials; and

2. Furnished to Franchisor, a copy or original, as the case may be, of each of the agreements described in Section IV (D) below.

Prior to opening, Franchise Owner shall complete to Franchisor's satisfaction all preparations of The Ark Pet Spa & Hotel in accordance with specifications set forth in the Manual.

C. Signage

Franchise Owner, at his or her sole expense, agrees to erect, prominently display and maintain advertising signs of such design, color, number, location, illumination and size as Franchisor may reasonably require. All such signs or sign faces, as the case may be, shall bear the Franchisor's Proprietary Marks. Franchise Owner further agrees to obtain all necessary permits and to comply with all codes, regulations or ordinances applicable to display of the required signage, all at the expense of Franchise Owner. The maintenance and repair of all signs shall be the sole responsibility and obligation of Franchise Owner. Franchise Owner shall not display at The Ark Pet Spa & Hotel any sign or signs not approved by Franchisor unless Franchisor shall give its prior written consent. Franchise Owner must comply with the Franchisor's sign criteria, as more fully set forth in the Manual.

D. Lease of The Ark Pet Spa & Hotel

After receiving the Franchisor's written approval of the location of The Ark Pet Spa & Hotel (which approval shall be evidenced by the execution and delivery of the Site Location Addendum as aforesaid), Franchise Owner shall, at his or her expense, furnish to the Franchisor for its approval a copy of the proposed lease agreement for such location. The proposed lease agreement shall include as a part thereof a "Rider to Lease Agreement" (herein so-called) in substantially the form of Attachment C. Prior to commencing construction and/or remodeling of The Ark Pet Spa & Hotel, Franchise Owner shall furnish the Franchisor with (i) a copy of the fully executed lease agreement, together with a copy of the fully executed Rider to Lease Agreement, all in the form so approved by the Franchisor, (ii) an original fully executed "Collateral Assignment of Lease" (herein so called) in substantially the form of Attachment D which is incorporated herein by reference thereto and (iii) if applicable, a copy of a fully executed "Subordination, Non-Disturbance and Attornment Agreement" from the landlord's mortgagee or beneficiary under a deed of trust in substantially the form of Attachment E which is incorporated herein by reference thereto.

Any lease with respect to the location of The Ark Pet Spa & Hotel shall have an initial term, or an initial term together with renewal terms, which is not less than ten (10) years.

V. EQUIPMENT, FIXTURES AND FURNITURE

A. Use of Proper Equipment, Fixtures and Furniture

The Franchisor may provide Franchise Owner with specifications for brands and types of any equipment, fixtures, displays, exterior and interior signs and decorating accessories required for The Ark Pet Spa & Hotel, at Franchise Owner's expense. Specifications may include minimum standards for design, appearance and local zoning, sign and other restrictions. Franchise Owner shall comply with all specifications for types of equipment, fixtures and furniture used in The Ark Pet Spa & Hotel as provided in this Agreement or in the Manual. Franchise Owner may purchase or lease original and replacement equipment, fixtures, furniture, sign and decorating materials and services meeting such specifications from any source, as approved by the Franchisor. If Franchise Owner proposes to purchase or lease any item of equipment or any fixture, sign or decorating materials not theretofore approved by the Franchisor as meeting its specifications, as set forth in the Manual, Franchise Owner shall first notify the Franchisor in writing. The Franchisor may require submission of sufficient specifications, photographs, drawings and/or other information and samples to determine whether such item of equipment, fixture, sign or decorating material meets its specifications. The Franchisor shall advise Franchise Owner within a reasonable period of time whether such item of equipment, fixture, furniture, sign or decorating material meets its specifications.

B. Technology System

1. The Franchisor has the right to specify in the Manuals or otherwise require in writing that Franchise Owner acquire and use in the operation of The Ark Pet Spa & Hotel certain electronic data collection, storage, reporting, exchange and interchange capability and services, including certain brands, types, makes and models of communications, hardware and software systems, peripherals and equipment, including without limitation: (a) back office accounting, inventory and management systems; (b) storage, retrieval and transmission systems for data, audio, video and voice files; (c) point of sale systems or such other types of cash registers as it may designate or approve ("Cash Register Systems"); (d) physical, electronic and other security systems and procedures; (e) archival back-up systems; (f) internet access capability and connectivity; and (g) client-facing marketing, ordering, entertainment, audio, video, internet access points and service systems (together, the "Technology System").

2. The Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate computer software programs and accounting system software that Franchisor must use as part of its Technology System ("Required Software"). Franchise Owner shall install, learn, use and integrate all updates, supplements, modifications or enhancements to the Required Software when the Franchisor so requires. Franchisor may specify in the Manuals or otherwise the tangible media upon which Franchisor Owner shall record data, the database file structure of Franchise Owner's Technology System and the requirements to ensure Franchise Owner's compliance with legal and credit card industry security standards. Franchisor Owner shall implement and periodically make upgrades and other changes to Franchise Owner's Technology System as the Franchisor requests in writing at

Franchise Owner's cost. The Technology System must permit 24 hours per day, seven days per week electronic communications between the Franchisor and Franchise Owner and provide the Franchisor with access to the Technology System (but excluding matters relating to labor relations and employment practices).

3. The Franchisor and its affiliates may condition any license of proprietary software to Franchise Owner, or Franchise Owner's use of technology that we or our affiliates develop or maintain, on Franchise Owner's signing a software license agreement or similar document that we or our affiliates prescribe to regulate Franchise Owner's use of, and our and Franchise Owner's rights and responsibilities concerning, the software or the technology. The Franchisor or its affiliates may charge Franchise Owner a reasonable monthly or other fee for any proprietary software or technology that Franchisor or its affiliates license to Franchise Owner and for other maintenance and support services that Franchisor or its affiliates provide during the term of this Agreement in connection with Franchise Owner's Technology System. Such fee may not be a direct pass-through of charges Franchisor incurs relating to the technology systems that Franchise Owner uses.

4. The Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchise Owner must collect and maintain on Franchise Owner's Technology System, and provide Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data provided by Franchise Owner in any form, and whether required by this Section or any other requirement under the System or in the Manuals, including without limitation data uploaded to Franchisor's computer system from Franchise Owner's Cash Register Systems, and/or downloaded from Franchise Owner's Cash Register Systems to Franchisor's computer system, is and will be owned exclusively by Franchisor, including without limitation, customer lists and email lists, and Franchisor has the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchise Owner. In addition, all other data created or collected by Franchise Owner in connection with the System, or in connection with Franchise Owner's operation of the business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon request. Franchisor hereby licenses use of such data back to Franchise Owner, at no additional cost, solely for the term and solely for Franchise Owner's use in connection with the The Ark Pet Spa & Hotel. Franchisor may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and developers operating under the System.

5. Despite Franchise Owner's obligation to buy, use, and maintain Technology System according to Franchisor's standards and specifications, Franchise Owner has sole and complete responsibility for: (a) acquiring, operating, maintaining, and upgrading Franchise Owner's Technology System; (b) the manner in which Franchise Owner's Technology System interfaces with Franchisor's and any third party's computer system; (c) any and all consequences if Franchise Owner's Technology System is not properly operated, maintained, and upgraded; and (d) independently determining what is required for Franchise Owner to comply (and then complying) at all times with the most current version of the Payment Card Industry Data Security Standards, and with all laws governing the use, disclosure, and protection of consumer data and Franchise Owner's Technology System, and validating compliance with those standards and Laws as may be periodically required.

VI. TRAINING AND ASSISTANCE BY FRANCHISOR

A. Pre-Opening Training

1. Pre-opening training will take place at the Company's headquarters and/or at affiliated company locations. Franchise Owner (or if Franchise Owner is a legal entity, the "Operating Partner" of the Franchise Owner) and one additional person, who will serve as manager of The Ark Pet Spa & Hotel, selected by Franchise Owner and approved by the Franchisor, shall attend such training program at no charge to the Franchise Owner. The Franchisor may charge a reasonable fee in the event that the Franchise Owner sends additional employees to the initial training program. Franchise Owner shall be responsible for all travel, lodging, meals or other costs for itself and other attendee(s) which it sends to the initial training program. Franchise Owner or Franchise Owner's Operating Partner, as the case may be, and Franchise Owner's manager, must attend all training sessions. Satisfactory completion of all mandatory training sessions is required by all attendees. Failure to do so shall constitute a breach of this Agreement.

   For purposes of this Agreement, "Operating Partner" shall mean a natural person, approved by Franchisor, who owns at all times not less than twenty-five percent (25%) of an Equity Interest in Franchise Owner.

2. The Franchisor may conduct additional seminars or other training programs for the benefit of the Franchise Owner, and Franchise Owner (and/or Franchise Owner's employees) may attend any such seminar or program. The Franchisor may charge a reasonable fee for such seminar or program if it is deemed appropriate. All travel, lodging, meals and other expenses incurred by anyone attending training on behalf of the Franchise Owner shall be paid by Franchise Owner.

3. Franchise Owner may make reasonable requests for additional training, in addition to that specified above, and the Franchisor may, in its discretion, provide such training at Franchise Owner's expense, including, without limitation, any travel, lodging and meals and other related costs. The Franchisor may charge a reasonable fee for such additional training, if it is deemed appropriate.

4. Franchise Owner shall complete and shall cause its Operating Partner and its manager and other employees to complete, to the Franchisor's satisfaction, all such additional training as the Franchisor may reasonably require from time-to- time.

B. Opening Assistance

Beginning approximately five (5) days prior to the opening of The Ark Pet Spa & Hotel and continuing for two (2) days thereafter, Franchisor will furnish to Franchise Owner, at The Ark Pet Spa & Hotel and at Franchisor's expense, one of Franchisor's representatives for the purpose of facilitating the opening of The Ark Pet Spa & Hotel. During this period, such representative will also assist Franchise Owner in establishing and standardizing procedures and techniques essential to the operation of The Ark Pet Spa & Hotel. Should Franchise Owner request additional assistance from Franchisor in order to facilitate the opening of The Ark Pet Spa & Hotel, and should Franchisor deem it necessary and appropriate, Franchise Owner shall reimburse Franchisor for the expenses of Franchisor's additional personnel and out-of-pocket expenses.

C. Non-Completion of Training by Franchise Owner

If Franchisor determines in its sole discretion that Franchise Owner is unable to satisfactorily complete the training program described above, Franchisor shall have the right to terminate this Agreement in the manner herein provided. If this Agreement is terminated pursuant to this paragraph, then Franchisor may keep the Initial Franchise Fee paid by Franchise Owner to Franchisor as liquidated damages, not as a penalty.

D. Additional Training Requirements

Franchisor from time-to-time may require that the Franchise Owner and/or Franchise Owner's Operating Partner, managers and other employees attend and successfully complete refresher training programs or seminars to be conducted at Franchisor's headquarters or at such other locations mutually convenient to the parties hereto, and at Franchise Owner's expense. Franchisor reserves the right to impose reasonable charges to cover the costs of instruction and training materials in connection with on-going training. Franchise Owner and its representatives shall be responsible for any other expenses incurred including meals, travel, lodging and wages.

VII. OBLIGATIONS OF THE FRANCHISOR

A. Layout of The Ark Pet Spa & Hotel

Provided that Franchise Owner leases or uses space in an existing building, the Franchisor will advise the Franchise Owner regarding the layout and design of The Ark Pet Spa & Hotel including location of walls and counters, if any, and the location of equipment and fixtures. The costs of leasehold improvements, signs and fixtures for finishing out The Ark Pet Spa & Hotel are the responsibility of the Franchise Owner.

B. Pre-Opening Training and Opening Assistance

The Franchisor will provide a pre-opening initial training program concerning the operation of The Ark Pet Spa & Hotel and certain on-site assistance at the time of opening, all as set forth in Section VI of this Agreement.

C. Site Location

The Franchise Owner has sole responsibility in selecting a site. Franchisor shall review and approve the Franchise Owner's site selection and lease agreement, based on an analysis of local competing businesses, demographics, visibility, accessibility, suitability of the premises to be leased, and other factors more fully described in Franchisor's Manual.

APPROVAL BY FRANCHISOR OF A SITE FOR THE ARK PET SPA & HOTEL IS NOT A REPRESENTATION OR WARRANTY AS TO THE LIKELIHOOD OF SUCCESS OF THE ARK PET SPA & HOTEL AT THAT SITE. APPROVAL BY FRANCHISOR OF THE PROPOSED FORM OF LEASE AGREEMENT FOR THE ARK PET SPA & HOTEL IS SOLELY FOR ITS OWN BENEFIT AND PROTECTION AND IS A PERMISSION ONLY AND DOES NOT CONSTITUTE AN ASSURANCE, REPRESENTATION OR WARRANTY AS TO ANY MATTER, INCLUDING, WITHOUT LIMITATION (I) THE BUSINESS OR ECONOMIC TERMS OF THE TRANSACTION, (II) THE POTENTIAL PROFITABILITY OF THE ARK PET SPA & HOTEL AT THAT LOCATION OR (III) MATTERS OF TITLE WITH RESPECT TO THE LOCATION. FRANCHISOR ASSUMES NO DUTY TO EXAMINE TITLE TO THE LOCATION OF THE ARK PET SPA & HOTEL.

D. Operations Manual

The Franchisor shall loan to Franchise Owner one copy of the Manual, containing mandatory and suggested specifications, standards and operating procedures prescribed from time-to-time by the Franchisor, and information relative to other obligations of a Franchise Owner, and to the operation of The Ark Pet Spa & Hotel. This Manual may cover such topics as Pre-Opening Procedures, Systems and Procedures, Personnel Policies, Marketing, Accounting and Bookkeeping and related matters as may be incorporated in such Manual from time-to-time. The Manual will remain confidential and the property of the Franchisor, constitutes a Trade Secret of the Franchisor, and may not be loaned out, duplicated, or copied in whole or in part in any manner. The Franchisor will have the right to add to and otherwise modify the Manual from time-to-time, as it deems necessary, provided that no such addition or modification will alter the Franchise Owner's fundamental status and rights under this Agreement. The Franchise Owner must always follow the directives of the Manual, as may be modified by the Franchisor from time-to-time. Franchise Owner acknowledges and agrees that such compliance by Franchise Owner is necessary to protect the integrity and reputation of the System.

E. Continuing Assistance

In addition to the assistance rendered to the Franchise Owner prior to opening, Franchisor will provide continuing consultation and advice regarding business, operational, technical, pricing, sales and advertising matters, type of products and services offered, operation of The Ark Pet Spa & Hotel, and development of personnel policies. Franchisor will provide such assistance by telephone or, if the situation warrants, through on site assistance of appropriate Franchisor personnel, as determined in the sole discretion of Franchisor at Franchise Owner's expense.

F. Advertising and Promotion

1. Franchisor may develop and provide creative materials for local and regional advertising and make such advertising materials available to its Franchise Owners for publication or distribution in the Franchise Owner's market area at Franchise Owner's own expense. Franchisor may charge a reasonable fee for advertising and creative materials and services purchased by Franchisee.

2. Franchisor may provide specific guidelines for advertising initiated by individual Franchise Owners and reserves the right to disapprove any advertising which, in Franchisor's opinion, is not in accordance with these guidelines.

3. Immediately upon notification to do so, Franchise Owner shall discontinue any advertising that would, in Franchisor's opinion, be detrimental to the System

G. Suppliers

Franchisor may assist Franchise Owner in selecting suppliers for the products and services offered by Franchise Owner to its customers. Franchise Owner must purchase through approved suppliers provided by Franchisor.

H. Pricing

Franchisor periodically will provide Franchise Owner suggested retail prices for the products and services offered at The Ark Pet Spa & Hotel and, to the extent permitted by applicable law, Franchisor may require that Franchise Owner adhere to Franchisor's suggested prices, including maximum prices. Nothing contained herein shall be deemed a representation by Franchisor that the use of Franchisor's suggested prices will optimize profits.

VIII. FEES AND PAYMENTS BY FRANCHISE OWNER

A. Initial Fees

Upon execution of this Agreement, Franchise Owner shall pay the following nonrefundable fees:

1. an Initial Franchise Fee equal to $________________. The Initial Franchise Fee is non-refundable; and

B. Payment of Royalty Fees

Franchise Owner agrees to pay to the Franchisor a Royalty Fee equal to seven percent (7%) of The Ark Pet Spa & Hotel's weekly Gross Revenues. Franchise Owner shall submit to Franchisor a weekly report which provides a summary of the Gross Revenues generated by The Ark Pet Spa & Hotel for each seven (7) day period commencing upon the opening of The Ark Pet Spa & Hotel each Tuesday and ending at the close of business each Sunday (each such report shall be referred to herein as a "Weekly Report"). Franchise Owner shall submit each Weekly Report electronically in the format required by Franchisor. Franchise Owner shall submit each Weekly Report by the Tuesday following the week to which each Weekly Report pertains.

The aforementioned weekly royalty fees shall be collectively referred to in this Agreement as "Royalty Fees." Franchise Owner hereby agrees to execute and deliver such instruments, agreements and other documents as may be necessary to enable Franchisor to draft Franchise Owner's bank account for Royalty Fees, National Brand Fund payments, and amounts due for purchases by Franchise Owner from the Franchisor or Franchisor's Affiliates, including, without limitation, the Authorization Agreement for Direct Debits (ACH Debits) attached to this Agreement as Attachment F. Franchise Owner hereby covenants to maintain sufficient funds in its account for the drafts initiated by Franchisor to be honored. Franchisor shall present such weekly bank drafts for Royalty Fees on Franchise Owner's bank account no later than Tuesday of each week. National Brand Fund payments and other amounts drafted shall be drafted on a schedule designated by Franchisor in advance.

Franchise Owner shall maintain a single bank account for its operating expenses, into which all its revenues are deposited, and all information regarding such accounts shall be made available to Franchisor during all times the account is active.

Franchisor reserves the right to adopt other methods of payment as the Franchisor deems reasonable. Payment of the Royalty Fees shall commence the week following The Ark Pet Spa & Hotel opening, based on the first week's revenues, and shall continue thereafter during the term of this Agreement.

C. Interest for Late Payments

All Royalty Fee payments, local marketing expenditures, National Brand Fund payments, amounts due for purchases by Franchise Owner from the Franchisor or Franchisor's Affiliates, and other amounts which Franchise Owner owes to the Franchisor or Franchisor's Affiliates, not received on or before the due date shall be deemed overdue. If any payment or contribution is overdue, Franchise Owner shall pay to the Franchisor immediately upon demand the overdue amount, a late fee of $100 per incident, plus interest on the overdue amount from the date it was due until paid, at the rate of one and one half percent (1½%) per month, or the maximum rate permitted by law, whichever is less. The foregoing shall be in addition to any other remedies the Franchisor may possess, as permitted by law.

Franchise Owner acknowledges that this paragraph shall not constitute agreement by the Franchisor to accept such payments after same are due or a commitment by the Franchisor to extend credit to, or otherwise finance Franchise Owner's operation of The Ark Pet Spa & Hotel. Further, Franchise Owner acknowledges that Franchise Owner's failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided herein.

D. Definition of Gross Revenues

The term "Gross Revenues" means the amount of all receipts for the sale of any products or services of The Ark Pet Spa & Hotel and income of every other kind and nature related to The Ark Pet Spa & Hotel, whether for products or services, cash, exchange, or credit, regardless of collection in a case of credit, less any refunds; provided, however, that "Gross Revenues" shall not include any sales taxes or other taxes collected by Franchise Owner for transmittal to the appropriate taxing authority.

E. Franchisor's Right to Apply Franchise Owner Payments

Notwithstanding any designation by Franchise Owner, the Franchisor shall have the sole discretion to apply any payments by Franchise Owner to any past due indebtedness of Franchise Owner for Royalty Fee payments, purchases from the Franchisor and any of Franchisor's Affiliates, interest or any other indebtedness.

IX. ADVERTISING AND MARKETING

Recognizing the value of marketing and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of The Ark Pet Spa & Hotel, Franchise Owner agrees as follows:

A. Initial Marketing Campaign

Franchise Owner shall spend a minimum of Fifteen Thousand Dollars ($15,000.00) for its initial marketing campaign. The Franchisor may advise Franchise Owner regarding the preparation and placement of such marketing campaign. Such monies must be spent either prior to and/or during the first sixty (60) days after the Franchise Owner opens The Ark Pet Spa & Hotel. Within 10 days after the end of the period in which Franchise Owner conducts this initial marketing, Franchise Owner must submit appropriate documentation to verify compliance with this obligation.

If so requested by the Franchisor, Franchise Owner shall participate in a joint initial marketing campaign with other Franchise Owners in the same marketing area, who are opening their System The Ark Pet Spa & Hotel at about the same time as Franchise Owner. With regard to all advertising, Franchise Owner shall use the advertising materials, techniques and concepts of the Franchisor and none other unless the Franchise Owner obtains the prior written approval of the Franchisor to use other materials, techniques and concepts.

B. Local Marketing Expenditures

Franchise Owner must spend monthly, as a minimum, 3% of Franchise Owner's Pet Spa & Hotel's Gross Revenues for local marketing purposes, or $2,000, whichever is greater, in year one and 2% or $1,000 a month, whichever is greater, from year two on. Franchise Owner must send to the Franchisor, on a quarterly basis, evidence that it has paid such monies for local marketing purposes, according to the procedures described more fully in the Manual.

The Franchise Owner is required to join and participate in regional marketing cooperatives "Co-Ops" that are organized within Franchise Owner's broadcast media market or area of dominant influence, the boundaries of which shall be determined by Franchisor in its sole discretion. Franchise Owner must contribute up to 2% of its Gross Revenues to the Co-Op and comply with the rules and regulations of the Co-op, as determined by its members. Half of Franchise Owner's required local marketing expenditures can be met by contributions to the marketing Co-op.

C. Local Marketing Plan

Franchise Owner shall create a local marketing plan by which Franchise Owner shall place local marketing in any media it desires, provided that such marketing conforms to the standards and requirements of the Franchisor as set forth in the Manual, or otherwise designated by Franchisor.

Franchise Owner may not advertise The Ark Pet Spa & Hotel in connection with any other business, except with the Franchisor's prior written approval. Franchise Owner shall obtain the Franchisor's prior approval of all advertising and promotional plans and materials that Franchise Owner desires to use at least thirty (30) days before the start of any such plans unless such plans and materials were provided by Franchisor or have been previously approved by the Franchisor within the prior twelve (12) month period. Franchise Owner shall submit such plans and materials to the Franchisor by personal delivery or through the mail, "Return Receipt Requested." Franchise Owner shall not use such plans or materials until they have been approved by the Franchisor in writing and shall promptly discontinue use of any advertising or promotional plans and materials upon the request of the Franchisor. Any plans or materials submitted by Franchise Owner to the Franchisor that have not been approved or disapproved in writing, within thirty (30) days of receipt thereof by the Franchisor, shall be deemed disapproved.

D. Brand Fund

1. Franchise Owner shall pay to the Brand Fund the amount of two percent (2%) of The Ark Pet Spa & Hotel's monthly Gross Revenues. Franchisor may use the Brand Fund Contributions and any earnings of the Brand Fund for any costs associated with advertising, marketing, public relations, promotional programs and materials (which may be national or regional in scope) and/or any other activities that we believe would benefit the System, including the following: social media such as Facebook, Twitter, etc.; advertising campaigns in various media; point-of-purchase materials; review of locally-produced ads; free standing inserts; brochures; purchasing and/or developing promotional materials; market research, including secret shoppers; sponsorships; design and maintenance of a website; celebrity endorsements; trade shows; association dues; search engine optimization costs; establishment of a third party facility for customizing local advertising; accounting costs; and holding an annual franchise convention. Franchisor will not use the Brand Fund for any activity whose sole purpose is the marketing of franchises; however, Franchise Owner acknowledges that the Company's website, public relations activities, community involvement activities and other activities that may be supported by the Brand Fund may contain information about franchising opportunities. Franchisor will have the right to direct all programs supported by the Brand Fund, with final discretion over creative concepts, the materials and media used in the programs and their placement. Franchisor does not guarantee that Franchise Owner will benefit from the Brand Fund in proportion to Franchise Owner's contributions to the Brand Fund.

2. Beginning on the date that the first franchised The Ark Pet Spa & Hotel opens for business, The Ark Pet Spa & Hotel operated by the Franchisor or its affiliated companies will contribute to the Brand Fund on the same basis as comparable franchises. Franchisor will

not use any contributions to the Brand Fund to defray any of its general operating expenses, except for reasonable administrative costs and overhead that it incurs in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including salaries of Franchisor personnel who devote time to Brand Fund activities). Franchisor will separately account for the Brand Fund, but Franchisor does not need to segregate Brand Fund monies from its other monies.

3. Any point-of-sale materials produced with Brand Fund monies will be made available to Franchise Owner at a reasonable cost, and the proceeds of such sales will be credited to the Brand Fund. Franchisor is not required to have an independent audit of the Brand Fund and may spend in any fiscal year an amount greater or less than the aggregate contribution of all The Ark Pet Spa & Hotels to the Brand Fund during that year or cause the Brand Fund to invest any surplus for its future use. Franchisor will make available an unaudited statement of contributions and expenditures for the Brand Fund no sooner than ninety (90) days after the close of Franchisor's fiscal year to Franchise Owners who make a written request for a copy.

X. ACCOUNTING AND BOOKKEEPING RECORDS

A. Bookkeeping, Accounting and Records

Franchise Owner shall maintain during the term of this Agreement, and shall preserve for a minimum of seven (7) years thereafter, full, complete accurate records of all sales, marketing activities, closeout sheets, payroll and accounts payable in accordance with the standard accounting system described by the Franchisor in the Manual or otherwise specified in writing.

B. Submission of Financial Statements

Franchise Owner shall, at its expense, submit to the Franchisor, within fifteen (15) days of the end of each calendar month during the term of this Agreement, on forms prescribed by the Franchisor, a financial statement, which may be unaudited, for the preceding month, including both an income statement and balance sheet. Franchise Owner shall also, at its expense, submit to the Franchisor within sixty (60) days of the end of each fiscal year of Franchise during the term of this Agreement, a complete financial statement for the said fiscal year, including, without limitation, both an income statement and balance sheet, which may be unaudited, together with such other information in such form as the Franchisor may require. Each financial statement shall be signed by Franchise Owner or by Franchise Owner's Treasurer or Chief Financial Officer, attesting that the statement is true and correct and prepared in accordance with the Franchisor's requirements. Franchise Owner shall also submit to the Franchisor its current financial statement and other forms, records, reports, information and data as the Franchisor may reasonably designate, in the form, and at the times and the places reasonably required by the Franchisor, upon request, and as specified from time-to-time in the Manual or otherwise specified in writing.

C. Franchisor's Right to Audit

The Franchisor has the right at any time during business hours and without prior notice to examine, compile, review, or audit all business records, financial and otherwise, relating to Franchise Owner's The Ark Pet Spa & Hotel.

If such examination or audit discloses an understatement of Gross Revenues of five percent (5%) or more for any month, or if an examination or audit of the Franchise Owner's books and records is made necessary by the failure of the Franchise Owner to furnish supporting records, financial statements or other documents or information as required by this Agreement or the failure to furnish such reports, records, financial statements, documents or information on a timely basis, then the Franchise Owner shall reimburse the Franchisor upon written notice for the cost of such examination, compilation, review or audit. Such cost shall include, but not be limited to, compensation of audit personnel and their travel expenses, lodging and meals.

D. Entity Franchise Owner

If the Franchise Owner is or becomes an entity, such as a corporation, partnership, limited liability company or other legal entity, either prior to executing this Agreement, or at any time during the term of this Agreement, the following requirements shall apply:

1. Franchise Owner shall promptly furnish to Franchisor upon request certified copies of the following: (a) Franchise Owner's articles of incorporation or charter, bylaws and other governing documents, and any and all amendments thereto, and resolutions of the board of directors authorizing entry into this Agreement, if Franchise Owner is a corporation; or (b) Franchise Owner's partnership agreement and other governing documents, and any and all amendments thereto, and resolutions of the general partners, and limited partners, if necessary, authorizing entry into this Agreement, if Franchise Owner is a partnership; or (c) Franchise Owner's articles of organization, operating agreement and other governing documents, and any and all amendments thereto, and resolutions of the members and/or managers authorizing entry into this Agreement, if Franchise Owner is a corporation; and (iv) any and all such other documents as Franchisor may require.

2. Franchise Owner shall maintain a current list of all owners of an Equity Interest (as such term is defined in Section II (B) (6) of this Agreement) in the Franchise Owner and its subsidiaries and affiliates and the percentage ownership interest of each such person and a list of all officers, directors, managers or others in such form as Franchisor may require, and Franchise Owner shall furnish same to Franchisor promptly upon request.

3. Each owner of an Equity Interest in Franchise Owner (and if any such owner is not a natural person, then the natural person(s) owning, directly or indirectly, an Equity Interest in such owner) shall jointly and severally guarantee Franchise Owner's payment and performance hereunder and shall bind themselves to the terms of this Agreement by executing a Guaranty of Franchise Owner's Undertakings in substantially the form of Attachment B to this Agreement; provided, however, that the requirements of this subsection shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-Held Corporation").

4. Anything in this Agreement to the contrary notwithstanding, if Franchise Owner is a legal entity, the Operating Partner (as such term is defined in Section VI (A) (1) of this Agreement) must have authority to bind the Franchise Owner to obligations related to this Agreement and shall be required to satisfactorily complete Franchisor's training program. The execution of this Agreement evidences Franchisor's approval of the following Operating Partner designated by Franchise Owner and identified below, subject to the satisfactory completion by the Operating Partner of Franchisor's training program:

   [PRINT OR TYPE NAME OF OPERATING PARTNER]

   The Franchise Owner shall not designate a new Operating Partner without the prior written approval of Franchisor, in its sole discretion.

5. All issued and outstanding share certificates or other certificates evidencing the ownership of any Equity Interest in the corporation, partnership, corporation or other legal entity shall bear a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN TERMS, CONDITIONS AND RESTRICTIONS CONTAINED IN A FRANCHISE AGREEMENT BETWEEN ______________________________ AND THE ARK FRANCHISING, LLC, DATED __________________, 20____.

XI. STANDARDS OF QUALITY AND PERFORMANCE

Franchise Owner shall comply with the entire System developed by the Franchisor including, without limitation, the following:

A. Secure Site in 180 Days and Open The Ark Pet Spa & Hotel in 12 Months

Within one hundred eighty (180) days after the date of this Agreement, Franchise Owner must obtain the Franchisor's written approval of the site for the Franchise and the proposed lease agreement for the location of The Ark Pet Spa & Hotel and furnish to Franchisor a fully executed copy or original, as the case may be, of each of the agreements described in Section IV (D) above. If Franchise Owner for any reason fails to satisfy the foregoing requirements as herein provided, Franchisor shall have the right to terminate this Agreement in the manner herein provided. If this Agreement is terminated pursuant to this paragraph, the Franchisor may keep the Initial Franchise Fee paid by Franchise Owner to Franchisor as liquidated damages, not as a penalty.

Franchise Owner shall commence operation of The Ark Pet Spa & Hotel not later than twelve (12) months after the date of this Agreement. Prior to such opening, Franchise Owner shall have procured all necessary licenses, permits, and approvals, including, without limitation, construction permits and licenses, and shall have hired and trained personnel, made all leasehold improvements, and purchased and installed necessary equipment, and procured a representative inventory as required by the Franchisor. If Franchise Owner for any reason fails to commence operations as herein provided, unless Franchise Owner is precluded from doing so by war or civil disturbance or natural disaster, such failure shall be considered a default hereunder and the Franchisor may terminate this Agreement in the manner herein provided. If this Agreement is terminated pursuant to this paragraph, the Franchisor may keep the Initial Franchise Fee paid by Franchise Owner to Franchisor as liquidated damages, not as a penalty.

B. Image of The Ark Pet Spa & Hotel

Franchise Owner agrees to maintain the condition and appearance of the premises of The Ark Pet Spa & Hotel consistent with the Franchisor's standards for the image of The Ark Pet Spa & Hotel as an attractive, pleasant and comfortable The Ark Pet Spa & Hotel. Franchise Owner agrees to affect such reasonable maintenance of The Ark Pet Spa & Hotel as is required from time-to-time to maintain or improve the appearance and efficient operation of The Ark Pet Spa & Hotel, including replacement of worn out or obsolete fixtures, furniture and signs, repair of the exterior and interior of The Ark Pet Spa & Hotel and decorating. If at any time in the Franchisor's judgment the general state of repair or the appearance of the premises of The Ark Pet Spa & Hotel or its equipment, fixtures, furniture, signs or decor does not meet the Franchisor's standards, the Franchisor shall so notify Franchise Owner, specifying the action to be taken by Franchise Owner to correct such deficiency. If Franchise Owner fails or refuses to initiate within fifteen (15) days after receipt of such notice, and thereafter continue, and promptly complete, a bona fide program to complete any required maintenance, the Franchisor shall have the right (but not the obligation), in addition to all other remedies, to enter upon the premises of The Ark Pet Spa & Hotel and effect such maintenance on behalf of Franchise Owner, and Franchise Owner shall pay the entire costs thereof on demand. Franchise Owner's obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impossible due to war, civil disturbance or natural disaster or other event beyond Franchise Owner's reasonable control.

C. No Alteration to The Ark Pet Spa & Hotel

Franchise Owner shall make no material alterations to the improvements of The Ark Pet Spa & Hotel nor shall Franchise Owner make material replacements of or alterations to the equipment, fixtures, furniture or signs of The Ark Pet Spa & Hotel without the prior written approval by the Franchisor.

D. Use of Premises

The location of The Ark Pet Spa & Hotel approved by the Franchisor in accordance with this Agreement shall be used solely for the purpose of operating The Ark Pet Spa & Hotel.

E. Authorized Products and Services

Franchise Owner agrees to offer for sale and sell at The Ark Pet Spa & Hotel all types of merchandise, products and/or services that the Franchisor from time-to-time authorizes, and Franchise Owner shall not offer for sale or sell at The Ark Pet Spa & Hotel any other category of merchandise, products or services, or use such premises for any purpose other than the operation of The Ark Pet Spa & Hotel in full compliance with this Agreement.

F. Sale of Trademarked or Copyrighted Product Line

Franchise Owner agrees, as part of the consideration for this Agreement, that Franchise Owner will carry an adequate supply and maintain a representative inventory of items and merchandise packaged under the Franchisor's trademarks and/or copyrights, if any, and Franchise Owner shall maintain, carry and promote such items and merchandise for sale or lease to the general public in order to meet customer demands as designated by the Franchisor.

G. Approved Manufacturers, Suppliers and Distributors

From time-to-time, the Franchisor may provide to Franchise Owner a list of approved manufacturers, suppliers, and distributors for all products and services necessary to operate The Ark Pet Spa & Hotel. The Franchisor may revise the approved list of manufacturers, suppliers and distributors from time-to-time in its sole discretion.

H. Authorized Equipment, Fixtures, and Supplies

All supplies, equipment, materials and related items, forms and other materials used in the operation of The Ark Pet Spa & Hotel shall conform to the specifications and quality standards established by the Franchisor from time-to-time. Franchise Owner shall purchase all inventory, supplies and other products and materials required for the operation of The Ark Pet Spa & Hotel solely from suppliers (including manufacturers and distributors) who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's reasonable standards and specifications for such items; who possess adequate quality control and capacity to meet Franchise Owner's needs properly and reliably; and who have been approved in writing by Franchisor and not thereafter disapproved. If Franchise Owner desires to purchase any items from an unapproved supplier, Franchise Owner shall submit to Franchisor a written request for approval of such supplies, or shall request supplier to do so. Franchisor approval shall not be unreasonably withheld.

Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facility and that samples from the supplier be delivered at Franchisor's option either to Franchisor or to an independent consultant designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the testing shall be paid by Franchise Owner or the supplier. The Franchisor reserves the right, at its option, to reinspect the facilities and products of such approved suppliers, from time-to-time, and to revoke its approval upon supplier's failure to continue to meet any of the Franchisor's criteria for standards and specifications. The Franchisor shall be entitled upon request, to periodically review inventory reports from the Franchise Owner, including product identification and serial numbers, if applicable, for compliance with the foregoing requirements.

I. Specifications, Standards and Operating Procedure

Franchise Owner agrees to fully comply with all mandatory specifications, standards, operating procedures and rules as in effect from time-to-time relating to:

1. The safety, maintenance, cleanliness, function and appearance of The Ark Pet Spa & Hotel and its equipment, fixtures, furniture, decor and signs and maintenance thereof;

2. Procedures regarding purchasing of any trademarked product line or copyrighted materials and other inventory items;

3. Procedures and techniques regarding merchandising activities

4. Training, dress, general appearance and demeanor of The Ark Pet Spa & Hotel's employees;

5. Hours during which The Ark Pet Spa & Hotel will be attended and open for business;

6. Advertising and promotional programs;

7. Use and retention of standard forms;

8. Type, quantity and variety of equipment, trademarked product lines and copyrighted materials and inventory items;

9. Use and illumination of signs, posters, displays and similar items;

10. Identification of Franchise Owner as the owner of The Ark Pet Spa & Hotel; and

11. The handling of customer complaints.

Mandatory specifications, standards, operating procedures and techniques and other rules prescribed from time-to-time by the Franchisor in the Manual or otherwise communicated to Franchise Owner in writing, shall constitute provisions of this Agreement, as if fully set forth herein. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules.

J. Licenses, Permits and Certificates

Franchise Owner shall secure and maintain in force all required licenses, permits and certificates relating to the operation of The Ark Pet Spa & Hotel and shall operate The Ark Pet Spa & Hotel in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, equal opportunity, trade regulation, workers' compensation, unemployment insurance, withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

K. Products with the Proprietary Marks

Franchise Owner shall in the operation of The Ark Pet Spa & Hotel, use and display, labels, forms and other paper products imprinted with the Proprietary Marks and colors as prescribed from time-to-time by the Franchisor.

L. Supervision of The Ark Pet Spa & Hotel

The Franchise Owner, or the Franchise Owner's Operating Partner if the Franchise Owner is a legal entity, must devote a majority of his or her full time and best efforts to the management and operation of The Ark Pet Spa & Hotel. In the alternative, the Franchise Owner or Operating Partner must have a fully trained manager operate The Ark Pet Spa & Hotel that operates the Franchise on a full time basis. Franchise Owner shall keep the Franchisor informed at all times of the identity of any employee(s) acting as manager(s) of The Ark Pet Spa & Hotel. The Franchisor shall make training available, as is reasonable and necessary, for all managers designated by Franchise Owner. The Franchisor may provide such training at the then-current rates charged by the Franchisor. Franchise Owner agrees that it will at all times faithfully, honestly and diligently perform its obligations hereunder and that it will not engage in any business or other activities that will conflict with its obligations hereunder.

M. Inventory and Supplies Prior to Opening

Prior to commencement of operation of The Ark Pet Spa & Hotel, Franchise Owner shall adequately supply The Ark Pet Spa & Hotel with representative equipment, fixtures, signs, and inventory as prescribed by the Franchisor, and any other items of the type, quantity and quality as specified by the Franchisor in the Manual.

N. Continued Use of Inventory and Supplies

Franchise Owner shall at all times maintain at The Ark Pet Spa & Hotel an adequate inventory of all products and services required by the Franchisor.

O. Use of Advertising and Promotional Activities

All advertising and promotional activities that Franchise Owner conducts in any medium shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the products and services of The Ark Pet Spa & Hotel and shall have been approved in writing by the Franchisor prior to their use by Franchise Owner unless it was prepared by Franchisor or previously approved during the prior twelve (12) month period. Franchise Owner agrees to refrain from any advertising or promotional practice that is unethical or may be injurious to the business or reputation of the Franchisor or the goodwill associated with the Proprietary Marks.

P. Notice of Legal Proceedings

Franchise Owner shall notify the Franchisor in writing within five (5) days of the commencement of or the threatening of any action, suit, or proceeding, or of the issuance or the threatened issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation, financial condition or reputation of The Ark Pet Spa & Hotel.

Q. Internet Use

Franchise Owner shall not establish a website on the Internet using any domain name containing the words "The Ark Pet Spa & Hotel " or any variation thereof. The Franchisor retains the sole right to advertise on the Internet and create a website using any of the foregoing or related domain names and establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or ad word purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, **"Digital Marketing"**) that are intended to promote the Proprietary Marks, The Ark Pet Spa & Hotel, and the entire System. Franchise Owner acknowledges that Franchisor is the owner of all right, title and interest in and to such domain names. Franchisor retains the right to pre-approve Franchise Owner's use of linking and framing between Franchise Owner's web pages and all other websites. Franchise Owner shall, within five (5) days, dismantle any frames and links between Franchise Owner's web pages and any other websites, if requested by Franchisor. Franchisor has the sole right to control all aspects of any Digital Marketing, including those related to Franchise Owner's business. Unless Franchisor consents otherwise in writing, Franchise Owner may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Proprietary Marks or that relate to The Ark Pet Spa & Hotel. If Franchisor permits Franchise Owner to conduct any Digital Marketing, Franchise Owner must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that Franchisor determines, in its sole discretion, is not compliant with such policies, standards, guidelines, or requirements. Franchisor may withdraw its approval for any Digital Marketing at any time.

XII. PROPRIETARY MARK

A. Franchisor's Ownership of Proprietary Marks

Franchise Owner acknowledges and agrees that the Franchisor is the owner of the Proprietary Marks, and Franchise Owner's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of the business by Franchise Owner pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by the Franchisor from time-to- time during the term of this Agreement. Any unauthorized use of the Proprietary Marks by Franchise Owner is a breach of this Agreement and an infringement of the rights of the Franchisor in and to the Proprietary Marks. Franchise Owner acknowledges and agrees that all usage of the Proprietary Marks by Franchise Owner and any goodwill established by Franchise Owner's use of the Proprietary Marks shall inure to the exclusive benefit of the Franchisor and that this Agreement does not confer any goodwill or other interests in or to the Proprietary Marks upon Franchise Owner. Franchise Owner 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 Proprietary Marks or assist another person in contesting the validity or ownership of any of the Proprietary Marks. All provisions of this Agreement applicable to the Proprietary Marks apply to any additional trademarks, service marks, and commercial symbols authorized for use by and licensed to Franchise Owner by the Franchisor.

B. Franchise Owner's Use of Proprietary Marks

Franchise Owner shall not use any Proprietary Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Franchise Owner use any Proprietary Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by the Franchisor. Franchise Owner agrees to comply with all notices of trademark and/or service mark registrations as the Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law or as requested by the Franchisor. Franchise Owner shall not use any of the Proprietary Marks in any manner that has not been specified or approved by the Franchisor prior thereto.

C. Unauthorized Use of Proprietary Marks

Franchise Owner shall immediately notify the Franchisor in writing of any apparent infringement of or challenge to Franchise Owner's use of the Proprietary Marks, which it becomes aware of, and of any claim by any person of any right in the Proprietary Marks or any similar trade name, trademark, or service mark of which Franchise Owner becomes aware. Franchise Owner shall not directly or indirectly communicate with any person other than the Franchisor and its counsel in connection with any such infringement, challenge, or claim. The Franchisor shall have sole discretion to take such action as it deems appropriate and shall have the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Proprietary Marks. Franchise Owner agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of the Franchisor's counsel, be necessary or advisable to protect and maintain the interests of the Franchisor in any such litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding or to otherwise protect and maintain the interests of the Franchisor in the Proprietary Marks.

D. Franchisor's Right to Modify

If it becomes advisable at any time in the Franchisor's sole discretion, for the Franchisor and/or Franchise Owner to modify or discontinue use of the Proprietary Marks, and/or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, Franchise Owner agrees to comply with the Franchisor's directions within a reasonable time after notice to Franchise Owner by the Franchisor. The Franchisor shall have no liability or obligation whatsoever with respect to Franchise Owner's modification or discontinuance of the Proprietary Marks. Franchise Owner agrees that any costs for modifying or changing the Proprietary Marks will be borne by Franchise Owner and such modification or change of Proprietary Marks will be completed by Franchise Owner within a reasonable period of time after notification by the Franchisor.

E. Franchisor's Right to Inspect The Ark Pet Spa & Hotel

In order to preserve the validity and integrity of the Proprietary Marks and copyrighted materials licensed herein, and to assure that Franchise Owner is properly employing the same in the operation of its The Ark Pet Spa & Hotel, the Franchisor or its agents shall have the right of entry and inspection of Franchise Owner's premises at all reasonable times and, additionally, shall have the right to observe the manner in which Franchise Owner is rendering its products and services and conducting its operations. The Franchisor or its agents shall have the right to confer with Franchise Owner's employees and customers, and to inspect equipment, trademarked items, supplies or inventory for evaluation purposes in order to make certain that the equipment, trademarked items, supplies, inventory, services and operations are satisfactory and meet the quality control provisions and performance standards established by the Franchisor from time-to-time.

F. Purchase of Proprietary Products

Prior to the time Franchise Owner opens The Ark Pet Spa & Hotel, Franchise Owner may be obligated to purchase certain products, supplies and equipment from certain designated suppliers. In addition, Franchise Owner may be obligated during the term of the Agreement to purchase from the Franchisor or one of the Franchisor's Affiliates certain proprietary products in order to properly operate The Ark Pet Spa & Hotel.

XIII. CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Definitions

"Confidential Information" means any information or data, other than "Trade Secrets" (as defined below), that is of value and treated as confidential by Franchisor, including, without limitation, any information designated as a Trade Secret by Franchisor, but which is ultimately determined, under applicable law, not to constitute a "trade secret," provided that same otherwise meets the definition of Confidential Information. FRANCHISE OWNER ACKNOWLEDGES THAT THE TERMS OF THIS AGREEMENT AND THE MANUAL ARE CONFIDENTIAL INFORMATION.

"Trade Secrets" means any information, without regard to form, related to Franchisor, and Franchisor's Affiliates, including technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, plans and specifications for designated products, methods of inventory control, operational systems, management techniques, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information (i) derives economic value, actual or potential, from not being generally known to, and not being 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. To the extent that applicable law mandates a definition of "trade secret" inconsistent with the foregoing definition, then the foregoing definition shall be construed in such a manner as to be consistent with the mandated definition under applicable law.

B. Non-Disclosure Covenant

Franchise Owner acknowledges that Franchise Owner and owners of an Equity Interest in Franchise Owner, its subsidiaries and affiliates, may be exposed to certain Confidential Information and Trade Secrets of the Franchisor during the term of the Franchise Agreement, and that the unauthorized use or disclosure of such information or data by Franchise Owner, or owners of an Equity Interest in Franchise Owner, could cause immediate and irreparable harm to the Franchisor. Accordingly, except to the extent that it is necessary to use such information or data to perform his or her express obligations under this Agreement, Franchise Owner shall not (and shall take diligent measures to ensure that each owner of an Equity Interest in Franchise Owner, its subsidiaries and affiliates, and their respective employees and agents shall not), without the express prior written consent of the Franchisor, publish, disclose, transfer, release or divulge to any other person or entity, or use or modify for use, directly or indirectly, in any way for any person or entity:

1. Any of the Confidential Information during the term of this Agreement and for a period of two (2) years after the termination of this Agreement; and

2. Any of the Trade Secrets at any time during which such information shall constitute a Trade Secret before or after termination of this Agreement.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE PARTIES ACKNOWLEDGE AND AGREE THAT THE FRANCHISOR'S CONFIDENTIAL INFORMATION INCLUDES BUT IS NOT LIMITED TO: THE TERMS AND CONDITIONS OF THIS AGREEMENT; THE CONTENTS OF THE MANUAL (EXCEPT FOR ANY INFORMATION IN THE MANUAL THAT WOULD CONSTITUTE A "TRADE SECRET"); AND ANY COMPONENT OF THE SYSTEM THAT DOES NOT CONSTITUTE A "TRADE SECRET" BUT THAT OTHERWISE MEETS THE DEFINITION OF "CONFIDENTIAL INFORMATION."

As a condition to Franchisor entering into this Agreement, and from time-to-time during the term of this Agreement, Franchise Owner shall cause each owner of an Equity Interest in Franchise Owner (and each owner of an Equity Interest in any subsidiary or affiliate of Franchise Owner, as Franchisor may request) to execute and deliver a confidentiality agreement in substantially the form of Attachment G attached hereto.

C. Injunctive Relief Available to Franchisor

Franchise Owner acknowledges that any failure to comply with the requirements of this paragraph of this Agreement will cause the Franchisor irreparable injury, and the Franchisor shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements. Franchise Owner agrees to pay all court costs and reasonable attorneys' fees incurred by the Franchisor in obtaining specific performance of, or an injunction against, any violation of the requirements of this Agreement. The foregoing remedies shall be in addition to any other legal or equitable remedies that the Franchisor may possess. Franchisor shall not be required to post a bond in excess of $1,000 or other security with respect to obtaining injunctive relief.

D. Franchise Owner's Employees Will Not Disclose Proprietary Information

The Franchise Owner may disclose the proprietary information only to such of its employees, agents and representatives as must have access to it in order to operate The Ark Pet Spa & Hotel.

Franchise Owner shall enter into a confidentiality agreement in substantially the form of Attachment H attached hereto with Franchise Owner's manager and each assistant manager at The Ark Pet Spa & Hotel. Franchise Owner shall not disclose, or permit the disclosure of, any Confidential Information or Trade Secret to any employee (including, without limitation, Franchise Owner's manager and assistant managers) until that person executes and delivers a confidentiality agreement in substantially the form of Attachment H attached hereto. Franchisor shall be a third-party beneficiary of such confidentiality agreements entered into by Franchise Owner with its employees and shall have the right to enforce its provisions independently of Franchise Owner.

E. Franchisor's Patent Rights and Copyrights

The Franchisor does not own rights in, or to, any patents that are material to the Franchise. However, the Franchisor claims a copyright in the Manual and certain marketing, sales, and operations literature. Furthermore, the Franchisor does claim rights to certain Trade Secrets and Confidential Information as discussed above.

F. Ownership of Newly Developed Products and Services

Franchise Owner must fully and promptly disclose to the Franchisor all ideas, names, concepts, methods and techniques relating to the development, operation or promotion of his or her The Ark Pet Spa & Hotel, conceived or developed by him or her or by employees during the term of this Agreement. The Franchisor has the perpetual right to use and authorize other System The Ark Pet Spa & Hotels to use such ideas, names, concepts, methods and techniques and, if incorporated into Franchisor's System for the development, operation or promotion of The Ark Pet Spa & Hotel, such ideas, names, concepts, methods and techniques become the sole and exclusive property of Franchisor without any consideration to Franchise Owner, in as much as they are derivative ideas or products of the Franchisor's Proprietary Information.

XIV. MODIFICATION OF THE SYSTEM

Franchise Owner recognizes and agrees that from time-to-time hereafter the Franchisor may change or modify the System as presently described in the Manual, and as identified by the Franchisor's Proprietary Marks, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new computer programs and systems, new types or brands of merchandise and products, new inventory, new equipment requirements or new techniques and that Franchise Owner will accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of this Agreement at the time of execution hereof. Franchise Owner will make such expenditures as such changes or modifications in the System may reasonably require. Franchise Owner shall not change, modify or alter in any way any material aspect of the System, without the prior written consent of the Franchisor.

XV. INSURANCE OBLIGATIONS

A. Overall Insurance Coverage Required

Franchise Owner must procure, prior to opening The Ark Pet Spa & Hotel and shall maintain in full force and effect during the term of this Agreement, at Franchise Owner's expense, an insurance policy or policies protecting the Franchisor, and the officers, directors, partners, agents, and employees of both the Franchisor and Franchise Owner, against any loss, liability, personal injury, death, property damage, or expense whatsoever arising from or occurring upon or in connection with operating The Ark Pet Spa & Hotel. The Franchisor ¬must be named as an additional insured on all such policies. The extent of coverages, amounts of insurance, deductibles, and other matters relating to the scope of coverage and the quality of the insurer may be set forth in the Manual.

B. Qualified Insurance Carrier

All insurance policies required under this Agreement shall be written by an insurance company satisfactory to the Franchisor, naming the Franchisor as an additional insured, whenever possible, in accordance with standards and specifications set forth in the Manual or otherwise specified in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified from time-to-time by the Franchisor), the limits set forth in the Manual for the following categories of required insurance:

Category	Minimum Insurance Coverage
Comprehensive Liability + Auto (owned & non owned company vehicles)	$1,000,000 per occurrence | $2,000,000 aggregate
Business property insurance at replacement cost	Replacement cost
Business interruption and rent insurance	$1,000,000 per occurrence
Umbrella Liability	$2,000,000
Workers Compensation Employer Liability	$1,000,000
Animal Bailee Coverage	$25,000 coverage | $10,000 per occurrence

C. No Limitations on Coverage

Franchise Owner's obligations to obtain and maintain the foregoing insurance policies, in the policy limits set forth in the Manual, shall not be limited in any way by reason of any insurance which may be maintained by the Franchisor, nor shall Franchise Owner's performance of this obligation relieve it of liability under the indemnity provisions set forth in this Agreement. Franchise Owner may maintain such additional insurance as it may consider advisable.

D. Evidence of Coverage

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, Franchise Owner must promptly submit evidence of satisfactory insurance and proof of payment thereof to the Franchisor, together with, upon request, copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be cancelled or materially altered without giving at least thirty (30) days' prior written notice to the Franchisor.

E. Franchisor May Procure Insurance Coverage

Should Franchise Owner, for any reason, fail to procure or maintain the insurance required by this Agreement, as described from time-to-time by the Manual or otherwise in writing, Franchisor shall then have the right and authority (but no obligation) to procure such insurance and to charge same to Franchise Owner, which charges, together with a reasonable fee for the Franchisor's expenses in so acting, shall be payable by Franchise Owner immediately upon notice from the Franchisor.

F. Certificate of Insurance

Franchise Owner must submit to the Franchisor, at least annually, and otherwise upon request by the Franchisor a copy of the certificate of renewal or other evidence of the renewal, existence or extension of such insurance policies.

XVI. TERMINATION OF FRANCHISE

A. By Franchise Owner

If Franchise Owner is in compliance with this Agreement and the Franchisor materially breaches this Agreement and fails to cure such breach within thirty (30) days after written notice thereof is delivered to the Franchisor (or if such breach is not susceptible to cure within thirty (30) days, then if Franchisor fails to promptly commence and thereafter diligently pursue the cure of such breach until cured), then Franchise Owner may terminate this Agreement and the Franchise effective thirty (30) days after delivery to the Franchisor of notice thereof. Any termination of this Agreement and the Franchise by Franchise Owner, without complying with the foregoing requirements, or for any reason other than a material breach of this Agreement by the Franchisor and the Franchisor's failure to cure, or diligently pursue the cure of, such material breach within thirty (30) days after receipt of written notice thereof, shall be deemed a termination by Franchise Owner without cause.

B. By Franchisor

Franchise Owner acknowledges that the strict performance of all the terms of this Agreement is necessary not only for protection of the Franchisor, but also for the protection of Franchise Owner and other franchise owners of the Franchisor. As a result, Franchise Owner therefore acknowledges and agrees that strict and exact performance by Franchise Owner of each of the covenants and conditions contained in this Agreement is a condition precedent to the continuation of this Agreement. If Franchise Owner shall breach any provision of this Agreement or the Manual, then the Franchisor shall notify Franchise Owner in writing of such breach, specifying its nature and giving Franchise Owner thirty (30) days in which to remedy same. If Franchise Owner shall fail to remedy such breach during said thirty (30) days, then the Franchisor may terminate this Agreement and the Franchise effective immediately upon receipt by Franchise Owner of notice of termination.

C. Termination of Franchise - Without Cure

Notwithstanding the foregoing, Franchise Owner shall be deemed to be in breach and the Franchisor, at its option, may terminate this Agreement and all rights granted under it, without affording Franchise Owner any opportunity to cure the breach, effective immediately upon the Franchisor notifying Franchise Owner in writing of such breach, upon the occurrence of any of the following:

1. Franchise Owner abandons, surrenders, or transfers control of the operation of The Ark Pet Spa & Hotel, or fails to continuously and actively operate The Ark Pet Spa & Hotel, unless precluded from doing so by damage to the premises of The Ark Pet Spa & Hotel due to war, act of God, civil disturbance, natural disaster, labor dispute or other events beyond Franchise Owner's reasonable control;

2. Franchise Owner consistently (meaning twice or more in any twelve (12) month period) fails or refuses to submit when due any financial statement, tax return or schedule, or pay when due the Royalty Fees or any other payments or submit any required reports due to the Franchisor or any other party related to this Franchise;

3. Franchise Owner operates The Ark Pet Spa & Hotel in a manner that violates any federal, state, or local law, rule, regulation or ordinance in the absence of a good-faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;

4. Franchise Owner or any owner of an Equity Interest in Franchise Owner has made a material misrepresentation on his or her application to own and operate the Franchise;

5. Any transfer or assignment of this Agreement or any Equity Interest in Franchise Owner or any sale or transfer of The Ark Pet Spa & Hotel without complying with the provisions of this Agreement applicable to same (including, without limitation, Section XIX (B) hereof);

6. Franchise Owner discloses or divulges the contents of the Manual, or any other Confidential Information or Trade Secret provided to Franchise Owner by the Franchisor or any of Franchisor's Affiliates to any third party or permits any owner of an Equity Interest in Franchise Owner or any of its subsidiaries or affiliates or any employee of Franchise Owner to disclose or divulge any such information;

7. Franchise Owner receives three (3) or more notices of breach or default under Section XVI (B) hereof during the term of this Agreement, whether or not such breaches or defaults are cured after notice;

8. Franchise Owner engages in any activity which has a material adverse effect on the Franchisor and/or the Proprietary Marks and/or engages in any other business at The Ark Pet Spa & Hotel;

9. Franchise Owner or any owner of an Equity Interest in Franchise Owner is convicted of a felony or has pleaded nolo contendere to a felony;

10. Franchise Owner breaches or defaults under Franchise Owner's lease agreement for The Ark Pet Spa & Hotel and fails to cure said default within any applicable grace or cure period provided for in such lease agreement.

11. Franchise Owner understates by five percent (5%) or more of its Gross Revenues in connection with any report required to be submitted to Franchisor;

12. Franchise Owner or any owner of an Equity Interest in Franchise Owner repeatedly engages in the excessive use of alcohol and/or drugs;

13. Franchise Owner misuses or makes any unauthorized use of the Proprietary Marks, engages in any business or markets any service or product under a name which is confusingly similar to the Proprietary Marks, or otherwise materially impairs the goodwill associated with the Proprietary Marks or Franchisor's rights therein;

14. Any threat or danger to public safety results from the construction, maintenance or operation of The Ark Pet Spa & Hotel;

15. Franchise Owner fails to comply with any of the covenants contained in Section XVIII of this Agreement;

16. Franchise Owner fails to obtain and maintain all required permits and licenses under state and local law;

17. Any judgment or consent decree is entered against Franchise Owner or the owner of an Equity Interest in Franchise Owner in any case or proceeding involving allegations of fraud, racketeering, unfair and deceptive trade practices or similar claims which is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein;

18. Franchise Owner knowingly maintains false books or records or submits any false statements, applications or reports to Franchisor;

19. Franchise Owner fails to (i) locate a site for The Ark Pet Spa & Hotel and obtain Franchisor's approval with respect to same, as evidenced by a fully executed Site Location Addendum, (ii) obtain Franchisor's written approval of Franchise Owner's proposed lease agreement for the location of The Ark Pet Spa & Hotel, and (iii) furnish to Franchisor a fully executed copy or original, as the case may be, of each of the agreements described in Section IV (D) of this Agreement, all within 180 days after the date of this Agreement or fails to commence operation of The Ark Pet Spa & Hotel within twelve (12) months after the date of this Agreement; or

20. Franchise Owner fails have suppliers approved by Franchisor .

D. Termination by Franchisor - Immediately and Without Notice

Notwithstanding the foregoing, Franchise Owner shall be in breach under this Agreement and all rights granted under this Agreement will automatically terminate without notice to Franchise Owner, upon the occurrence of any of the following:

1. Franchise Owner makes an assignment for the benefit of creditors or makes an admission of Franchise Owner's inability to pay its obligations as they become due; or

2. Franchise Owner files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar

release under any law, or admitting or failing to contest the material allegations of any such pleading filed against him, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchise Owner or The Ark Pet Spa & Hotel, or the claims of creditors of Franchise Owner or The Ark Pet Spa & Hotel are abated or subject to moratorium under any laws.

XVII. FRANCHISE OWNER'S OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT

A. Payment of Monies Owed to Franchisor

Franchise Owner shall pay to the Franchisor, within fifteen (15) days after the date of termination or expiration of this Agreement, any Royalty Fees, payments for inventory, equipment or merchandise, or any other sums owed to the Franchisor, or Franchisor's Affiliates, by Franchise Owner, which are then unpaid.

B. Return of Manual and Other Materials

Franchise Owner further agrees that upon termination or expiration of this Agreement, it will immediately return to the Franchisor all originals and copies of the Manual, training aids and any other materials which have been loaned or provided to Franchise Owner by the Franchisor or Franchisor's Affiliates. Franchise Owner further agrees to turn over to the Franchisor any other manuals, customer lists, rolodexes, records, files, instructions, correspondence and brochures, computer software, CD's and DVD's and any and all other Confidential Information and Trade Secrets relating to the operation of The Ark Pet Spa & Hotel in Franchise Owner's possession, custody, or control and all copies thereof (all of which are acknowledged to be the Franchisor's sole property), and will retain no copy or record of the foregoing, excepting only Franchise Owner's copy of this Agreement and any correspondence between the parties hereto, and any other documents which Franchise Owner reasonably needs for compliance with any provision of law.

C. Cancellation of Assumed Names and Transfer of Phone Numbers

Franchise Owner further agrees that upon termination or expiration of this Agreement, that Franchise Owner will take such action that may be required to cancel all assumed names or equivalent registrations relating to Franchise Owner's use of any Proprietary Marks and to notify the telephone company and listing agencies of the termination or expiration of Franchise Owner's right to use any telephone number associated with the Proprietary Marks or with The Ark Pet Spa & Hotel and to authorize transfer of same to the Franchisor. Franchise Owner must acknowledge in writing that as between the Franchisor and Franchise Owner, the Franchisor has the sole rights to and interests in all telephone numbers and directory listings associated with any Proprietary Marks or The Ark Pet Spa & Hotel. Franchise Owner must further authorize the Franchisor, and thereby appoint the Franchisor as its attorney in fact, to direct the telephone company and all listing agencies to transfer the number and listings to the Franchisor. Should Franchise Owner fail or refuse to do so, the telephone company and all listing agencies may accept such direction in this Agreement as conclusive evidence of the exclusive rights of the Franchisor in such telephone numbers and directory listings and its authority to direct their transfer

D. Cease Using Proprietary Marks

Franchise Owner further agrees that, upon termination or expiration of this Agreement, Franchise Owner shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any confidential methods, procedures, and techniques associated with the Franchisor and the Proprietary Marks and any proprietary marks and distinctive forms, slogans, symbols, computer formats, signs, logos or devices associated with the System. In particular, Franchise Owner will cease to use, without limitation, all signs, advertising materials, stationery, forms, and any other articles that display the Proprietary Marks.

E. Cease Operating The Ark Pet Spa & Hotel

Franchise Owner agrees to immediately cease to operate The Ark Pet Spa & Hotel under this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former Franchise Owner of the Franchisor.

F. No Confusion with Proprietary Marks

If Franchise Owner continues to operate or subsequently begins to operate any other business after termination or expiration of this Agreement, Franchise Owner shall not use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute the Franchisor's exclusive rights in and to the Proprietary Marks, and Franchise Owner further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with the Franchisor or a former association or connection with the Franchisor.

G. Franchisor's Option to Purchase Franchise Owner's The Ark Pet Spa & Hotel

Franchise Owner further agrees that, upon termination or expiration of this Agreement, Franchisor shall have the right, but not the obligation, pursuant to the Collateral Assignment of Lease Attachment D or other agreement, to assume the Franchise Owner's lease agreement for the location of The Ark Pet Spa & Hotel with his or her landlord, if applicable. In addition, the Franchisor shall have the right, but not the obligation, to acquire Franchise Owner's interest in any or all of the assets of The Ark Pet Spa & Hotel as Franchisor in its sole discretion may determine, including all signs, fixtures, equipment, leasehold improvements, covenants and other contract rights, inventory, products, supplies and all items bearing the Franchisor's Proprietary Marks. The purchase price shall be equal to the lesser of the depreciated or amortized net book value thereof calculated using the shortest depreciation or amortization schedules permitted therefore or the fair market value of such assets (less the amount of any outstanding liens or encumbrances assumed by Franchisor). Franchisor's right to purchase shall be exercised by written notice to Franchise Owner not later than ninety (90) days after termination or expiration of this Agreement.

1. In the event that the Franchise Owner is the owner of fee simple title to the real estate wherein The Ark Pet Spa & Hotel is located, the Franchisor shall have the right, but not the obligation, to enter into a lease agreement with the Franchise Owner for a period of not more than ten (10) years, as the Franchisor shall select, and at a rate equal to or not more than the fair market rental value for The Ark Pet Spa & Hotel location at the time of termination or expiration of this Agreement.

2. In the event Franchisor exercises its option to purchase The Ark Pet Spa & Hotel, or any of the assets thereof, the purchase price will be reduced by:

    a. any amounts due from Franchise Owner to Franchisor;

    b. any amount required to perform such remodeling, repairs, replacements, and redecoration in and upon The Ark Pet Spa & Hotel location as Franchisor shall deem reasonably necessary and practical to bring The Ark Pet Spa & Hotel location, including equipment, fixtures and signage, up to the then-current standards of newly developed System The Ark Pet Spa & Hotels; and

c. any current and/or long-term liabilities of the Franchise Owner assumed by Franchisor.

H. Modification of Premises

Immediately upon termination or expiration of this Agreement for any reason, Franchise Owner shall make such modifications or alterations to the premises of The Ark Pet Spa & Hotel operated under this Agreement as may be necessary to distinguish the appearance of the premises from that of other System The Ark Pet Spa & Hotels and shall make such specific additional changes to The Ark Pet Spa & Hotel premises as the Franchisor may reasonably request for that purpose. In the event the Franchise Owner fails or refuses to comply with this requirement, the Franchisor shall have the right to enter upon the premises without being guilty of trespassing or any other tort for the purpose of making or causing to be made such changes as may be required, at the expense of the Franchise Owner, which expense the Franchise Owner agrees to pay upon demand.

XVIII. COVENANTS

A. Best Efforts

Franchise Owner covenants that during the term of this Agreement, and except as otherwise approved in writing by Franchisor, Franchise Owner shall devote Franchise Owner's best efforts to the efficient and effective management and operation of The Ark Pet Spa & Hotel.

B. Franchise Owner Receives Proprietary Information

Franchise Owner specifically acknowledges that pursuant to this Agreement, Franchise Owner will receive valuable training and confidential information, including, without limitation, Confidential Information, Trade Secrets, information regarding promotional, operational, sales, and marketing methods and techniques of the Franchisor and the System.

C. Noncompetition

Franchise Owner shall not, during the term of this Agreement, on Franchise Owner's own account or as a shareholder, partner, member or other owner, officer, director, manager, agent, representative, employee or consultant of any Person own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any Person engaged in any The Ark Pet Spa & Hotel business (other than The Ark Pet Spa & Hotel) which generates thirty percent (30%) or more of its retail sales specializing in pet boarding, dog day care, pet grooming and retail products and services and other related items located at the Location or within a radius of twenty five (25) miles of the Location.

Franchise Owner shall not, for a continuous uninterrupted period of two (2) years commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) on Franchise Owner's own account or as a shareholder, partner, member or other owner, officer, director, manager, agent, representative, employee or consultant of any Person own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any Person engaged in any The Ark Pet Spa & Hotel business (other than The Ark Pet Spa & Hotel) which generates thirty percent (30%) or more of its retail sales from pet boarding, dog day care, pet grooming and similar foods and which is located at the Location or within a radius of twenty five (25) of the Location.

Franchise Owner acknowledges and agrees that the type and period of restrictions imposed by the covenants in this Section XVIII are fair and reasonable. If the scope of any limitations and restrictions imposed by the covenants in this Section XVIII are too broad to permit enforcement thereof as written, then such limitations or restrictions shall be enforced to the maximum extent thereof as written, then such limitation or restrictions shall be enforced to the maximum extent permitted by law and Franchise Owner and Franchisor hereby expressly consent and agree that such scope may be judicially modified accordingly in any proceeding brought to enforce such limitations or restrictions.

As a condition to Franchisor entering into this Agreement, and from time-to-time during the term of this Agreement, Franchise Owner shall cause each owner of an Equity Interest in Franchise Owner to execute and deliver to Franchisor a non-competition agreement in substantially the form of Attachment I attached hereto.

D. No Undue Hardship

Franchise Owner acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchise Owner, since Franchise Owner has other considerable skills, experience and education which afford Franchise Owner the opportunity to derive income from other endeavors.

E. Inapplicability of Restrictions

Section XVIII shall not apply to the ownership by Franchise Owner of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

F. Independence of Covenants

The parties agree that each of the covenants in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section XVIII is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which the Franchisor is a party, Franchise Owner expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made part of this Agreement.

G. Policies and Values

Franchise Owner understands and acknowledges that the Franchise must follow the Franchisor's operating policies and stated principles as presented in the Operations Manual.

H. Modification of Covenants

Franchise Owner understands and acknowledges that Franchisor shall have the right, in Franchisor's discretion, to unilaterally reduce the scope of any covenant set forth in this Section XVIII or any portion thereof, without Franchise Owner's consent, effective immediately upon receipt by Franchise Owner of written notice thereof, and Franchise Owner agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVIII hereof.

I. Enforcement of Covenants

Franchise Owner expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Agreement. Franchise Owner agrees to pay all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

J. Injunctive Relief

Franchise Owner acknowledges that its violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchise Owner hereby consents to the entry of an injunction prohibiting any conduct by Franchise Owner in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisor shall not be required to post a bond in excess of $1,000 or other security with respect to obtaining injunctive relief. Franchise Owner expressly agrees that it may be presumed conclusively that any violation of the terms of said covenants not to compete was accomplished by and through Franchise Owner's unlawful utilization of Franchisor's Confidential Information and Trade Secrets.

K. Written Agreements

As a condition to Franchisor entering into this Agreement, and from time-to-time during the term of this Agreement, Franchise Owner shall cause each Owner of any Equity Interest to execute and deliver to Franchisor, a noncompetition agreement in substantially the form of Attachment I attached hereto.

XIX. ASSIGNMENT

A. Assignment by Franchisor

Franchisor shall have the right to freely transfer or assign all or part of its rights or obligations under this Agreement to any assignee or other legal successor to the interests of the Franchisor without Franchise Owner's consent.

B. Assignment by Franchise Owner

1. The rights and duties created by this Agreement are personal to Franchise Owner. Accordingly, except as otherwise permitted herein, neither Franchise Owner nor any owner of an Equity Interest in Franchise Owner shall, without the prior written consent of Franchisor, directly or indirectly, sell, assign, transfer (including, without limitation, any transfer occurring by inter vivos transfer or, upon death, by testamentary disposition or pursuant to the laws of intestate succession), convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or any Equity Interest in Franchise Owner. Any such purported transfer or assignment occurring by operation of law or otherwise without the prior written consent of Franchisor, shall constitute a breach of this Agreement by Franchise Owner and shall be null and void. Franchise Owner shall not, without first complying with the Right of First Refusal provided in Section XIX(C) hereof and without obtaining the prior written consent of Franchisor, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer The Ark Pet Spa & Hotel, or any part thereof, including, without limitation, the leasehold interest of Franchise Owner in the premises on which The Ark Pet Spa & Hotel is located or any of the equipment, fixtures, furniture, interior and exterior signs, displays, decorating accessories, advertising materials, inventory and other items of real or personal property used in connection with the operation of The Ark Pet Spa & Hotel.

2. For all proposed transfers or assignments of this Agreement, and for all proposed transfers or assignments of any Equity Interest in the Franchise Owner, Franchisor will not unreasonably withhold its consent to any transfer or assignment which is subject to the restrictions of this Section; provided, however, Franchisor shall not be required to give its consent unless all of the following conditions are met prior to the date of the proposed transfer or assignment:

   a. Upon each direct or indirect transfer of an interest in this Agreement or any Equity Interest in the Franchise Owner, Franchise Owner shall, within five (5) days prior to such transfer, furnish Franchisor with an estoppel agreement indicating any and all causes of action that Franchise Owner may have against Franchisor, or stating that none exist and a list of all persons having an Equity Interest in the Franchise Owner, together with the percentage ownership interest of each such person and the names of all officers, directors, managers or others in such form as Franchisor may require;

   b. Franchise Owner is not in default under the terms of this Agreement, the Manual or any other obligations owed to Franchisor and all of its then-due monetary obligations to Franchisor and Franchisor's Affiliates have been paid in full;

   c. Franchise Owner and all persons owning an Equity Interest in the Franchise Owner shall have executed a general release in a form prescribed by Franchisor of any and all claims and causes of action, if any, against Franchisor and Franchisor's Affiliates, and their respective officers, directors, agents, representatives and employees;

   d. The transferee/assignee has demonstrated to Franchisor, in its sole and absolute discretion, that the transferee/assignee meets all of Franchisor's the then-current requirements for new franchise owners and possesses good moral character and reputation, satisfactory credit ratings, acceptable business qualifications and the ability to fully comply with the terms of this Agreement;

   e. The transferee/assignee, as franchise owner, has assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor;

   f. If the transferee/assignee is an entity franchise owner, the transferee/assignee has designated a natural person who is a shareholder, partner, member, or other owner of such entity, as the case may be, approved in writing by Franchisor owning not less than ten percent (10%) of the equity interest in such entity as the "Operating Partner";

   g. The transferee/assignee, as franchise owner, executes such other documents as Franchisor may require, including, without limitation, a new franchise agreement which may be materially different than this Agreement (with appropriate modifications to reflect the fact that said agreement is entered into in connection with a transfer or assignment of this Agreement) in the form of the then-current franchise agreement used by Franchisor in order to assume all of the obligations of this Agreement, to the same extent, and with the same effect, as previously assumed by the assignor;

h. The transferee/assignee, the Operating Partner, the manager, assistant managers and other employees responsible for the operation and management of The Ark Pet Spa & Hotel have satisfactorily completed Franchisor's the then-current training program;

i. The transferee/assignee does not operate, or participate or own an interest in, directly or indirectly, an entity which operates a franchise, license or other business offering services similar to those offered by Franchisor. Franchise Owner and the transferee/assignee shall conduct no business other than operating The Ark Pet Spa & Hotel;

j. The transferee/assignee has paid to Franchisor a transfer fee equal to the then-current initial franchise fee;

k. If the transferee/assignee is an entity franchise owner, the transferee/assignee shall cause all shareholders, partners, members or other owners of such entity, as the case may be, to jointly and severally guarantee the transferee's/assignee's payment and performance under this Agreement by executing and delivering a guaranty agreement in form and substance satisfactory to Franchisor;

l. If the transferee/assignee is an entity franchise owner, all issued and outstanding share certificates or other certificates evidencing the ownership of any interest in such entity shall bear a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN TERMS, CONDITIONS AND RESTRICTIONS CONTAINED IN A FRANCHISE AGREEMENT BETWEEN ____________________________ AND THE ARK FRANCHISING, LLC, DATED __________________, 20____.

m. Franchisor shall have the right to impose such additional conditions to its consent to any such proposed transfer or assignment as Franchisor may deem reasonably necessary under the circumstances, including, without limitation, the temporary closure of The Ark Pet Spa & Hotel in order that same may be brought into compliance with Franchisor's then-current standards.

Consent to a transfer or assignment by Franchisor shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise.

Anything in this Agreement to the contrary notwithstanding, if Franchise Owner is a natural person who assigns or transfers this Agreement to a legal entity in which such natural person owns one hundred percent (100%) of the Equity Interest, no transfer fee under Section XIX (B) shall be due; provided, however, such assignment or transfer shall be subject to all other terms and conditions of this Agreement applicable to entity franchise owners (including, without limitation, Section X (D).

C. Franchisor's Right of First Refusal

If Franchise Owner desires to accept a bona fide offer from a third party to purchase Franchise Owner's interest in The Ark Pet Spa & Hotel or substantially all the assets of The Ark Pet Spa & Hotel, or if Franchise Owner desires to sell The Ark Pet Spa & Hotel or substantially all the assets of The Ark Pet Spa & Hotel and has found a willing buyer therefor, Franchise Owner shall notify Franchisor in writing of such offer and shall offer to sell the same to Franchisor upon the same terms and conditions, and shall provide such information and documentation relating to such offer as Franchisor requires. Franchisor shall have the option, exercisable within thirty (30) days after the receipt of such offer and other information and documentation, to send written notice to Franchise Owner that Franchisor intends to purchase such property on the same terms and conditions offered by or to the third party, or the cash equivalent thereof, at Franchisor's option. If Franchisor elects to purchase such property, closing shall occur within ninety (90) days after the end of such thirty (30) day period. If Franchisor does not elect to purchase such interest within such thirty (30) day period, Franchise Owner may sell or transfer such property to a third party; provided that such sale or transfer is made within ninety (90) days after the end of such thirty (30) day period, that such sale or transfer is made at a price and on terms no more favorable than those offered to Franchisor, that all applicable requirements of this Paragraph XIX are met, and that the purchaser agrees that after such sale or transfer, The Ark Pet Spa & Hotel shall continue to be operated under the Proprietary Marks and using the System.

D. Transfer Upon Death or Mental Incapacity

In addition to, and not in limitation of, the provisions of Section XIX (B) of this Agreement, upon the death or mental incapacity of Franchise Owner or any owner of an Equity Interest in Franchise Owner, the executor, administrator, or personal representative of that person must transfer his or her interest in this Agreement or the Franchise Owner, as the case may be, to a third party approved by the Franchisor within six (6) months after death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any such deceased person are unable to meet the conditions contained in this Agreement, the personal representative of such deceased person shall have a reasonable time in the sole discretion of the Franchisor, to dispose of such deceased's person's interest, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within a reasonable time (as determined by the Franchisor in its sole discretion), the Franchisor may terminate this Agreement.

XX. OPERATION IN THE EVENT OF ABSENCE, INCAPACITY OR DEATH

In order to prevent any interruption of the business of The Ark Pet Spa & Hotel which would cause harm to said business and thereby depreciate the value thereof, Franchise Owner authorizes the Franchisor, in the event that Franchise Owner (or, in the case of an entity franchise owner, the Operating Partner) is absent or incapacitated or dies, and is not, therefore, in the sole judgment of the Franchisor, able to operate The Ark Pet Spa & Hotel hereunder, to operate The Ark Pet Spa & Hotel for so long as the Franchisor deems necessary and practical, and without waiver of any other rights or remedies the Franchisor may have under this Agreement; provided, however, that in the event that the Franchisor should commence to operate The Ark Pet Spa & Hotel, the Franchisor shall not be obligated to operate The Ark Pet Spa & Hotel for a period of more than ninety (90) days. All monies from the operation of The Ark Pet Spa & Hotel during such period of operation by the Franchisor shall be kept in a separate account and the expenses of The Ark Pet Spa & Hotel, including reasonable compensation and expenses for the Franchisor's representatives, shall be charged to said account. If, as herein provided, the Franchisor temporarily operates The Ark Pet Spa & Hotel, Franchise Owner agrees to indemnify and hold harmless the Franchisor and any representative of the Franchisor who may act hereunder, from any and all claims arising from the acts and omissions of the Franchisor and its representative arising therefrom.

XXI. INDEPENDENT CONTRACTOR

A. No Fiduciary Relationship

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, that the Franchise Owner shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

B. Franchise Owner Is An Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, Franchise Owner shall hold itself out to the public as an independent contractor operating its business pursuant to a Franchise Agreement from the Franchisor. Franchise Owner agrees to take such affirmative actions as may be necessary to do so, including, without limitation, exhibiting a public notice of that fact, the content and display of which the Franchisor shall have the right to specify from time-to time.

XXII. WAIVER

No failure of the Franchisor to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchise Owner with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the Franchisor's right to demand exact compliance with any of the terms herein. Waiver by the Franchisor of any particular default or breach by Franchise Owner shall not affect or impair the Franchisor's rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of the Franchisor to exercise any power or right arising out of any breach or default by Franchise Owner of any of the terms, provisions, or covenants hereof, affect or impair the Franchisor's right to exercise the same; nor shall such constitute a waiver by the Franchisor of any succeeding breach by Franchise Owner of any terms, covenants or conditions of this Agreement.

XXIII. ENFORCEMENT

A. Judicial Enforcement, Injunction and Specific Performance

The Franchisor shall have the right to enforce by judicial process its right to terminate this Agreement for the causes enumerated in this Agreement, to collect any amounts owed to the Franchisor for any unpaid Royalty Fees, or other unpaid charges due hereunder, arising out of The Ark Pet Spa & Hotel conducted by Franchise Owner pursuant hereto, and to pursue any rights it may have under any leases, subleases, sales, purchase, or security agreements or other agreements, including, without limitation, the Collateral Assignment of Lease, with Franchise Owner. The Franchisor shall be entitled without bond to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If the Franchisor secures any such injunction or orders of specific performance, Franchise Owner agrees to pay to the Franchisor an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, and other litigation expenses and travel and living expenses, and any damages incurred by the Franchisor as a result of the breach of any provision of this Agreement.

B. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

C. Franchise Owner May Not Withhold Payments Due Franchisor

Franchise Owner agrees that Franchise Owner will not withhold payments of any Royalty Fees or any other amounts of money owed to the Franchisor for any reason on grounds of alleged nonperformance by the Franchisor of any obligation hereunder.

D. Rights of Parties Are Cumulative

The rights of the Franchisor and Franchise Owner hereunder are cumulative, and the exercise or enforcement by the Franchisor or Franchise Owner of any right or remedy hereunder shall not preclude the exercise or enforcement by the Franchisor or Franchise Owner of any other right or remedy hereunder which the Franchisor or Franchise Owner is entitled by law or equity to enforce.

E. Governing Law

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) this Agreement shall be governed by the laws of the state of Tennessee, without giving effect to that state's conflict of laws principles.

F. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

G. Construction

This Agreement and other agreements or instruments referred to herein or which relate to the purchase or lease by Franchise Owner from the Franchisor of any fixtures, signs, equipment, merchandise, or the like, constitute the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Franchisor and Franchise Owner relating to the subject matter of this Agreement. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. The term "Franchise Owner" as used herein is applicable to one or more persons, a corporation or partnership, or such other form of legal entity as the Franchisor shall approve from time - to-time, as the case may be; the singular usage includes the plural; and the masculine, feminine and neuter usages each, includes the other.

H. Attorney Fees

In the event any legal proceedings between the parties hereto arise under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs from the other party.

I. Modification

This instrument contains the entire agreement between the parties relating to the rights herein granted and the obligations herein assumed and supersede all prior oral and written understandings and agreements between the parties. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto.

J. Venue

The parties hereto agree that the terms and provisions of this Agreement are to be interpreted in accordance with and governed by the laws of the State of Tennessee and the venue for any proceeding relating to the provisions of this Agreement is to be Hamilton County, Tennessee.

XXIV. INDEMNIFICATION

Franchise Owner understands and agrees that nothing in this Agreement authorizes Franchise Owner to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name. Franchise Owner further understands and agrees that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action or by reason of any act or omission of Franchise Owner in its conduct of The Ark Pet Spa & Hotel, or any claim or judgment arising therefrom. Franchise Owner shall indemnify and hold harmless Franchisor and Franchisor's Affiliates and their respective officers, directors, shareholders, managers, members, employees and agents from and against any and all claims, damages, losses, liabilities, costs and expenses (including attorney fees) (collectively, "Damages"), arising directly or indirectly from, as a result of, or in connection with, any breach of this Agreement by Franchise Owner or the purchase, ownership and operation of The Ark Pet Spa & Hotel or by reason of any act occurring on or at The Ark Pet Spa & Hotel premises or by reason of an omission relating to The Ark Pet Spa & Hotel, as well as the costs, including attorneys' fees and court costs, of settling or defending against claims for Damages.

XXV. TAXES, PERMITS AND INDEBTEDNESS

A. Franchise Owner Must Pay Taxes Promptly

Franchise Owner shall promptly pay when due all taxes levied or assessed, including, without limitation, payroll, unemployment and sales taxes, and shall promptly pay when due all accounts and other indebtedness of any kind incurred by Franchise Owner in operating The Ark Pet Spa & Hotel.

Franchise Owner shall pay the Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on the Franchisor with respect to any payments to the Franchisor required under this Agreement, unless the Franchisor credits the tax against income tax otherwise payable by Franchisor.

B. Franchise Owner Can Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchise Owner may contest the validity or the amount of the tax or indebtedness in accordance with the proper procedures of the taxing authority or applicable law; however, in no event shall Franchise Owner permit a tax sale or seizure by levy of execution or similar liens, writ or warrant, or attachment by a creditor to occur against the premises of The Ark Pet Spa & Hotel or any improvements thereon.

C. Franchise Owner Must Comply With Laws

Franchise Owner shall, at Franchise Owner's expense, comply with all federal, state and local laws, rules, regulations and ordinances and shall timely obtain and shall keep in force as required throughout the term of this Agreement all permits, certificates and licenses necessary for the full and proper conduct of The Ark

Pet Spa & Hotel, including, without limitation, any required permits, licenses to do business, fictitious name filings and registrations, sales tax permits, health inspections and fire clearances.

Franchise Owner must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of clients ("Consumer Data") and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. Franchise Owner must comply with all Laws governing the use, protection, and disclosure of Consumer Data.

D. Franchise Owner Must Notify Franchisor of Lawsuits

Franchise Owner shall notify the Franchisor in writing within five (5) days of notice of the commencement of, or against the threat of, any action, suit, or proceeding by or against Franchise Owner, and of the issuance of, or against the threat of, any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of The Ark Pet Spa & Hotel, including, without limitation, any criminal action or proceedings brought by Franchise Owner against its employees, customers, or other persons.

If there is a Data Security Incident at the Business, Franchise Owner must notify Franchisor immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the Ark Pet Spa & Hotel brand (including giving us or our designee access to Franchise Owner's Computer System, whether remotely or at the Ark Pet Spa & Hotel). The Franchisor (and our designated affiliates) have the right, but no obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts.

"Data Security Incident" means any act that initiates either internally or from outside t The Ark Pet Spa & Hotel's computers, point-of-sale terminals, and other technology or networked environment and violates the Law or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the System, other franchisees, or their data or to view, copy, or use Consumer Data or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial or service; unauthorized use of a system for processing or storage of data; and changes to system hardware, firmware, or software characteristics without our knowledge, instruction, or consent.

XXVI. RESTRICTIONS ON GOODS AND SERVICES OFFERED BY FRANCHISE OWNER

This Agreement provides that the Franchise Owner may not be associated either directly or indirectly with a business competitive with The Ark Pet Spa & Hotel. Further, the Franchise Owner may only provide such products and services at The Ark Pet Spa & Hotel as are permitted by the Franchisor. The Franchise Owner is not limited as to the customers to whom it may sell the products and services authorized by the Franchisor.

A Franchise Owner may not offer for sale at The Ark Pet Spa & Hotel any products or services not authorized by the Franchisor; sell any products from any location other than The Ark Pet Spa & Hotel; and may not use The Ark Pet Spa & Hotel for any other purpose than the operation of The Ark Pet Spa & Hotel.

The Franchisor, from time-to-time, may conduct market research and testing to determine the viability of new products and services. A Franchise Owner must cooperate by participating in such programs and by purchasing and promoting the sale of such test products, if required by the Franchisor.

XXVII. NOTICES

All written notices permitted or required to be delivered by the provisions of this Agreement or of the Manual shall be deemed so delivered three (3) days after placed in the mail, by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal address which the notifying party has on record.

XXVIII. VARYING STANDARDS

Because complete and detailed uniformity under many varying conditions may not be possible or practical, the Franchisor specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any The Ark Pet Spa & Hotel franchise based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which the Franchisor deems to be of importance to the successful operation of such franchise owner's System The Ark Pet Spa & Hotel. Franchise Owner shall not have any right to complain about a variation from standard specifications and practices granted to any other Franchise Owner and shall have no right to require the Franchisor to grant to Franchise Owner a like or similar variation.

XXIX. AUTHORITY

Franchise Owner or, if Franchise Owner is a corporation, partnership or other legal entity, the individuals executing this Agreement on behalf of such corporation or partnership, warrant to the Franchisor, both individually and in their capacities as partners or officers, that all owners of an Equity Interest in Franchise Owner, have read and approved this Agreement, including any restrictions which this Agreement places upon their right to transfer their respective Equity Interests in the Franchise Owner.

XXX. SPECIAL REPRESENTATIONS

Franchise Owner (and each owner of an Equity Interest in Franchise Owner if Franchise Owner is a legal entity) hereby represents as follows:

A. That it has conducted an independent investigation of the Franchisor's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchise Owner as an independent business person. The Franchisor expressly disclaims the making of, and Franchise Owner acknowledges that it has not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.

B. Franchise Owner acknowledges having received, read, and understood this Agreement, including all Attachments hereto; and Franchise Owner further acknowledges that the Franchisor has accorded Franchise Owner ample time and opportunity to consult with advisors of his/her own choosing about the potential benefits and risks of entering into this Agreement.

C. Franchise Owner acknowledges that it has received a complete copy of this Agreement, with all attachments referred to herein, and agreements relating hereto, if any, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchise Owner further acknowledges that it has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission, entitled "Information For Prospective Franchise Owners Required By The Federal Trade Commission," at least fourteen (14) calendar days prior to the date on which this Agreement was executed; and

D. Franchise Owner also acknowledges that prior to the date of this Agreement, no other Agreement was entered into, no promises were made by the Franchisor, and no funds were offered to or accepted by the Franchisor.

[Signatures Appear on the Following Page]

[Signature Page to Franchise Agreement]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement the day and year first above written.

THE ARK FRANCHISING, LLC

By: ____ Date: _______________

Title: ____

Prospective Franchise Owner 1

By: ____ Date: ______________

Printed Name: ____

Prospective Franchise Owner 2

By: ____ Date: ______________

Printed Name: ____

ATTACHMENT A - DESIGNATED AREA, LOCATION AND PROTECTED TERRITORY

1. The Designated Area (if applicable) is:

____
____.

□ Check if map attached.

Franchise Owner acknowledges that the Designated Area is delineated solely for the purpose of establishing a geographic area within which Franchise Owner will select the site for the Franchise and for no other purposes.

2. The Franchise will be located at:

____
____
____
____

3. The Protected Territory shall be:

____
____
____

□ Check if map attached.

(If the location and Protected Territory have not been designated when this Agreement is signed, Franchisor will (i) insert the location and Protected Territory upon providing its consent to the location; and (ii) deliver to Franchise Owner a copy of the replacement page for this Attachment A at that time.)

THE ARK FRANCHISING, LLC

By: ____ Date: _______________

Title: ____

[FRANCHISEE]

By: ____ Date: _______________

Title: ____

ATTACHMENT B - GUARANTY OF FRANCHISE OWNER'S UNDERTAKINGS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated_____________________________, and any and all revisions, modifications and amendments thereto or renewals thereof, (hereinafter collectively the "Agreement"), by and between The Ark Franchising, LLC, a Tennessee LLC for itself and for its affiliates (hereinafter, collectively, "Franchisor") and ____ (hereinafter "Franchise Owner"), each of the undersigned "Guarantors" (herein so called) agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guarantee the full, prompt and complete performance of Franchise Owner under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Franchisor under the Agreement. The word "indebtedness" is used herein in its most comprehensive sense and includes without limitation any and all advances, debts, obligations and liabilities of Franchise Owner, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Franchise Owner and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Franchise Owner or whether Franchise Owner is joined in any such action.

3. If the Franchise Owner is a corporation, partnership, corporation or other legal entity, Franchisor shall not be obligated to inquire into the power or authority of Franchise Owner or its officers, directors, agents, managers, representatives, employees or other persons acting or purporting to act on Franchise Owner's behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations, partnerships, limited liability companies or other legal entities, it shall be conclusively presumed that the Guarantors and all shareholders, partners, members and other owners of such entities, and all officers, directors, agents, managers, representatives, employees or other Persons acting on their behalf have the express authority to bind such entities and that such entities have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such entities.

4. Franchisor, its successors and assigns, may from time-to-time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors and assigns have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned each further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including, without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or

creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Franchise Owner and Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, heirs, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term "the undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. Without limiting the generality of any part or all of the foregoing, the undersigned does hereby further covenant and agree that each of the undersigned are hereby bound by those certain terms, obligations, covenants and conditions of the Agreement with respect to the following:

   i. Section XIX (B) entitled "Assignment by Franchise Owner";

   ii. Section XIX (C) entitled "Franchisor's Right of First Refusal";

   iii. Section XIX (D) entitled "Transfer Upon Death or Mental Incapacity";

   iv. Section XXII entitled "Waiver";

   v. Section XXIII entitled "Enforcement";

   vi. Section XXVII entitled "Notices"; and

   vii. Section XXX entitled "Special Representations"

The undersigned each agree that the references to the "Franchise Owner" in the Sections referenced hereinabove shall include and be applicable to each of the undersigned.

9. All capitalized terms not defined herein shall have the meanings given to them in the Agreement.

(Continued on following page)

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty of Franchise Owner's Undertakings under seal effective as of the _____ day of _____________, _________________.

THE ARK FRANCHISING, LLC

By: ____ Date: ________________

Title: ____

Prospective Franchise Owner 1

By: ____ Date: _______________

Printed Name: ____

Prospective Franchise Owner 2

By: ____ Date: _______________

Printed Name: ____

ATTACHMENT C - RIDER TO LEASE AGREEMENT

THIS RIDER TO LEASE AGREEMENT (this "Rider") is made and entered into this ________________________________ day of_________________________, 20______, by and between ____ (hereinafter referred to as the "Landlord"), and ____ (hereinafter referred to as the "Tenant");

W I T N E S S E T H:

WHEREAS, the Landlord and the Tenant have executed a lease agreement dated _______________________ (the "Lease") for the premises located at

____ (the "Premises") for use by the Tenant as the Ark Pet Spa & Hotel ("The Ark Pet Spa & Hotel") to be operated pursuant to the proprietary marks and system owned by The Ark Franchising, LLC, a Tennessee limited liability company ("Franchisor"), in connection with a written Franchise Agreement dated________________________________, by and between Franchisor and the Tenant, including all renewals and amendments thereof (the "Franchise Agreement"); and

WHEREAS, it is a condition to Franchisor's approval of the Lease, as required under the Franchise Agreement, that this Rider be entered into, and the Landlord agrees the Lease is modified in accordance with the terms and conditions contained herein; and

WHEREAS, it is the intent of the parties hereto to provide Franchisor with the opportunity to preserve the Premises as The Ark Pet Spa & Hotel in the event of any default by Tenant under the Lease which remains uncured after expiration of any applicable cure period or in the event the Franchise Agreement should for any reason be terminated or expire;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual promises and covenants herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each party hereto, the parties agree as follows:

1. Use Clause. The Premises shall be used for the operation of The Ark Pet Spa & Hotel identified by the mark “The Ark Pet Spa & Hotel” or any other Mark (as defined below) designated by the terms of the Franchise Agreement. Landlord represents and warrants that such use shall not violate any existing exclusives granted to any existing tenant of the Landlord. Landlord further represents and warrants that the Premises has no existing building code violations and is properly zoned for its intended use.

2. Use of Marks. Landlord hereby expressly grants to Tenant the right to display the trade names, service marks, trademarks, insignia, emblems, slogans, logos, commercial symbols, signs, trade dress, interior and exterior designs and specifications, and the motif, décor and color scheme and other visual identification by which The Ark Pet Spa & Hotels are identified and publicized under Franchisor's system, whether now existing or hereafter created and designated as marks by Franchisor (the "Marks") on the Premises in accordance with the specifications required by Franchisor, from time-to-time, subject only to applicable laws.

3. Default of Tenant under Lease. The Landlord shall send to Franchisor copies of all notices of default or termination it gives to the Tenant concurrently with giving such notices to the Tenant. In the event of any default by Tenant under the Lease which remains uncured after expiration of any applicable cure period, Landlord agrees to pursue no rights or remedies to terminate the Lease on account of such default for an additional period of thirty (30) days, during which time Franchisor shall have the right (but not the obligation) to: (a) cure or satisfy any default by Tenant under the Lease; or (b) exercise its rights pursuant to the Collateral Assignment of Lease (as defined herein). If Franchisor fails to exercise such rights on or before the expiration of such thirty (30) day period, Landlord may pursue any rights and remedies which it may have pursuant to the Lease.

4. Termination or Expiration of the Franchise Agreement. It shall be a breach, default or event of default under the Lease if the Franchise Agreement between Franchisor and the Tenant expires or is terminated for any reason during the term of the Lease or any extension or renewal thereof, and Tenant shall have no cure period with respect to, and no opportunity to cure, such breach, default or event of default.

5. Collateral Assignment of Lease. Tenant and Franchisor have executed and delivered or will execute and deliver an assignment (the "Collateral Assignment of Lease") which grants Franchisor the right to become the tenant under the Lease in the event of any default by Tenant under the Lease which remains uncured after expiration of any applicable cure period or in the event the Franchise Agreement should for any reason be terminated or expire.

6. Alterations. Landlord specifically acknowledges that Tenant may be required, from time-to time, pursuant to the Franchise Agreement to make such alterations, remodeling or improvements as may be necessary to modernize the Premises to The then-current standards and specifications of Franchisor, and Landlord hereby consents to the making by Tenant or Franchisor of any such alterations, remodeling or improvements.

7. De-identification. Landlord agrees that upon termination or expiration of the Lease or upon termination or expiration of the Franchise Agreement without Franchisor exercising its rights pursuant to the Collateral Assignment of Lease, Tenant and Franchisor shall each have the right to remove or cause to be removed all Marks and modify or alter all buildings, improvements and fixtures as may be necessary to a design and color which easily distinguishes the appearance of same from that of other The Ark Pet Spa & Hotels. Any actions or work undertaken pursuant to the provisions of this paragraph shall be at the sole cost and expense of Tenant (provided, however, if such actions or work are undertaken by Franchisor, then Franchisor shall pay the cost and expense of same) and shall be performed in a lien-free manner. Any damage to the Premises directly resulting from such actions or work shall be repaired by the party (Tenant or Franchisor) which undertakes such actions or work at their sole cost and expense. This Section 7 shall survive termination of the Lease.

8. Amendment of Lease. The Landlord and the Tenant agree not to modify or amend the Lease or this Rider in any respect which adversely affects the rights of Franchisor, and its successors and assigns, as third party beneficiaries under the Lease, as modified hereby, without the prior written consent of Franchisor, which consent may be withheld, conditioned and delayed in its sole and absolute discretion, and unless such consent is obtained, such modification or amendment shall not be valid or binding against Franchisor.

9. Franchisor Not a Guarantor. Landlord acknowledges and agrees that notwithstanding Franchisor's status as a third party beneficiary under the Lease, as modified hereby, any terms or conditions contained in the Lease, as modified hereby, or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of the Tenant's obligations under the Lease.

10. Document to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between the Lease and this Rider, the terms of this Rider shall prevail.

11. Assignment and Subletting. Notwithstanding anything set forth in the Lease to the contrary, Tenant shall have the right to assign the Lease or any interest therein, or sublet the Premises or any portion thereof, without the consent of Landlord:

    a. to any bona fide licensee of Franchisor; or

    b. to Franchisor or any successor to or affiliate of Franchisor. Landlord agrees that Franchisor or any successor or affiliate of Franchisor shall be released from any and all liability as of the date of its assignment to a third party.

12. Subordination. Landlord will subordinate its interest in the Tenant's equipment to any lender financing the same, and Landlord will further cooperate in executing all required documents to recognize such subordination.

13. Waiver. Failure of Franchisor to enforce or exercise any of its rights under the Lease, as modified hereby, shall not constitute a waiver of the rights thereunder or a waiver of any subsequent enforcement or exercise of its rights thereunder.

14. Further Amendment. Subject to the terms of this Rider, the Lease may be further amended only in writing signed by Landlord and Tenant.

15. Notices. All notices, demands, requests and other communications hereunder shall be deemed sufficient and properly given in writing (except as otherwise expressly provided herein) if delivered by one of the following methods: (i) by personal delivery or by a reputable delivery service at the street address specified below, or (ii) by first-class, registered or certified mail, postage prepaid, to the post office box specified below or to the street address if no post office box is given. The hand delivery address and mailing address for receipt of notice or other documents by such parties are as follows:

If to Landlord: ____

If to Tenant: ____

If to Franchisor: The Ark Franchising, LLC, 3847 Hixson Pike, Chattanooga, TN 37415, Attn: CEO

Any of the above-mentioned parties may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notice hereunder signed on behalf of the notifying party by its identified attorney at law shall be valid and effective to the same extent as if signed by such party. Any notice or other communications shall be deemed delivered when actually received at the address of the party to whom directed or, if sent by mail, three (3) days after such notice or document is deposited in the United States mail, as provided above.

16. Binding Effect. This Rider shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, successors, assigns and legal representatives.

17. Severability. If any provision of this Rider or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Rider and the remainder of this Rider shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.

18. Remedies. The rights and remedies created herein shall be deemed cumulative and no one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Landlord, Tenant and/or Franchisor are parties.

19. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Rider, the prevailing party shall be entitled to recover all attorneys' fees and costs incurred in connection therewith.

20. Construction. This Rider shall be governed by and construed in accordance with the laws of the State in which the Premises are located.

21. Third Party Beneficiary. The parties acknowledge that Franchisor, its successors and assigns, shall be deemed third party beneficiaries of the Lease, as modified hereby.

22. Special Provision Regarding Franchisor. The parties understand, acknowledge and agree that if Franchisor is the tenant under the Lease, anything herein to the contrary notwithstanding, Franchisor may itself directly operate The Ark Pet Spa & Hotel at the Premises, in which case no "Franchise Agreement" will be required to be entered into, and unless and until such time (if ever) as Franchisor assigns its interest in the Lease, or sublets the Premises or any portion thereof (as permitted under Section 11 hereof), the only provisions of this Rider which shall be effective are as follows: Section 1 (Use Clause), Section 2 (Use of Marks), Section 6 (Alterations), Section 7 (De-Identification), Section 10 (Document to Govern), Section 11 (Assignment and Subletting), Section 12 (Subordination), Section 13 (Waiver), Section 14 (Further Amendment), Section 15 (Notices), Section 16 (Binding Effect), Section 17 (Severability), Section 18 (Remedies), Section 19 (Attorneys' Fees), Section 20 (Construction), and this Section 22 (Special Provision Regarding Franchisor), and all other provisions hereof shall be of no force or effect.

(Continued on following page)

IN WITNESS WHEREOF, the parties hereto have caused this Rider to be executed the day and year first above written.

Landlord:

By: ____ Date: ________________

Title: ____

Tenant:

By: ____ Date: _______________

Printed Name: ____

The undersigned guarantors of the Lease hereby consent and agree to the within and foregoing Rider to Lease Agreement, and ratify and confirm their respective guaranty obligations with respect to the Lease, as amended by this Rider.

This ___ day of ______________ 20__

ATTACHMENT D - COLLATERAL ASSIGNMENT OF LEASE

THIS COLLATERAL ASSIGNMENT OF LEASE (this "Assignment") is made and entered into this ______ day of ____________________, 20____, by and among ____, a _______________________________, ("Landlord"), ________________, a ____, ("Assignor"), and The Ark Franchising, LLC, a Tennessee limited liability company ("Franchisor"); and ____.

In consideration of the mutual promises and covenants herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each party hereto, the parties agree as follows:

1. The Assignor hereby assigns, transfers and sets over unto Franchisor all of Assignor's right, title and interest as tenant in, to and under that certain lease agreement dated _________________________ and Rider to Lease Agreement dated _________________________ between Landlord and Assignor (collectively, the "Lease"), for certain real property located in _________________County, _________________ and more particularly described on the attached Exhibit A (the "Premises"). This Assignment is for collateral purposes only and except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Franchisor shall exercise its rights by providing the Franchisor Notice (as defined herein).

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

3. In the event (i) of any default by Assignor under the Lease which remains uncured after expiration of any applicable cure period; or (ii) that certain Franchise Agreement dated, ______________________between Franchisor and Assignor, including all amendments and renewals thereof (the "Franchise Agreement"), for a location of The Ark Pet Spa & Hotel to be located at Premises should, for any reason, be terminated or expire, Franchisor shall have the right for a period of thirty (30) days after the event in (i) or (ii) herein to exercise its rights pursuant to this Assignment by providing written notice to Landlord and Assignor ("Franchisor Notice"). If Franchisor exercises its rights by providing the Franchisor Notice: (a) Franchisor shall thereupon become tenant under the Lease with all rights and obligations of tenant commencing upon, first accruing and effective from and after the date of the Franchisor Notice; (b) Franchisor shall have the right to take possession of the Premises, expel Assignor therefrom without being guilty of trespass, forcible entry or detainer, or other tort; (c) Assignor shall have no further right, title or interest in the Lease or the Premises; and (d) Assignor shall peaceably and promptly vacate the Premises and (subject to Franchisor's right to acquire any such property pursuant to the Franchise Agreement) remove its personal property therefrom and any property not removed or otherwise disposed of by the Assignor shall be deemed abandoned. Nothing in this Assignment shall restrict, limit, terminate, waive or otherwise affect Landlord's rights against Assignor.

4. In no event shall Franchisor be or become liable for any liability or obligation of Assignor accruing or applicable to the period prior to the date of the Franchisor Notice. All rents and other obligations under the Lease shall be prorated as of the date of the Franchisor Notice. Franchisor shall have no liability or obligation to the Landlord under the Lease unless and until it exercises its right by providing the Franchisor Notice.

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

6. Anything herein to the contrary notwithstanding, and without waiving any rights Franchisor may have under the Franchise Agreement, in the event Assignor acquires fee simple title to the Premises during the term or any extension of the Lease, Assignor shall enter into an option agreement with Franchisor (utilizing Franchisor's then-current form) granting Franchisor the right to lease the Premises on the same terms as the Lease in the event Assignor ceases to own the Premises or the Franchise Agreement should for any reason be terminated or expire.

7. Landlord consents to this Assignment and agrees to recognize Franchisor as tenant under the Lease upon exercising the rights in favor of Franchisor as set forth in this Assignment and in the Lease.

8. All notices (including the Franchisor Notice) shall be deemed sufficient and properly given in writing (except as otherwise expressly provided herein) if delivered by one of the following methods: (i) by personal delivery or by a reputable delivery service at the street address specified below, or (ii) by first-class, registered or certified mail, postage prepaid, to the post office box specified below or to the street address if no post office box is given. The hand delivery address and mailing address for receipt of notice or other documents by such parties are as follows:

If to Landlord: ____

If to Assignor: ____

If to Franchisor: The Ark Franchising, LLC, 3847 Hixson Pike, Chattanooga, TN 37415, Attn: CEO

Any of the above-mentioned parties may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notice hereunder signed on behalf of the notifying party by its identified attorney at law shall be valid and effective to the same extent as if signed by such party. Any notice or other communications shall be deemed delivered when actually delivered to the address of the party to whom directed or, if sent by mail, three (3) days after such notice or document is deposited in the United States mail, as provided above.

9. Time is of the essence.

10. This Assignment shall inure to the benefit of and be binding upon their respective heirs, successors, representatives and permitted assigns.

11. This Assignment shall be governed by, and construed in accordance with the laws of the state in which the Premises are located.

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed the day and year written above.

Landlord:

By: ____ Date: ______________

Title: ____

Assignor:

By: ____ Date: ______________

Printed Name: ____

The Ark Franchising, LLC

By: ____ Date: ______________

Printed Name: ____

Signed, sealed and delivered in the presence of:

Unofficial Witness: ____ Date: ______________

Notary Public: ____ Date: ______________

(Seal)

EXHIBIT A

to

Collateral Assignment of Lease

[Attach copy of fully executed Lease Agreement, together with Rider to Lease Agreement]

ATTACHMENT E SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

PREMISES LOCATION: ____

THIS AGREEMENT is made and entered into as of this ______day of _____________________, 20_____, by and among ____________________________________, whose principal address is ____ (the "Landlord"),____, whose principal address is ____ (the "Tenant") and ____________________________, a ____, whose principal address is ____, (the "Lender").

W I T N E S S E T H:

THAT WHEREAS, on or about the date hereof, Landlord has entered into and delivered that certain [deed to secure debt/mortgage/deed of trust] in favor of Lender to be recorded in the Office of ____ (the "Mortgage") conveying certain property therein described located at ____ (the "Premises"); and

WHEREAS, Landlord and Tenant entered into that certain lease dated _______________, ____________, (the "Lease") for the use of the Premises by Tenant as a location of The Ark Pet Spa & Hotel to be operated pursuant to a written Franchise Agreement dated ____________, ____________, by and between The Ark Franchises, LLC ("Franchisor") and Tenant, as same may from time-to-time be hereafter renewed, together with any and all amendments thereto (collectively, the "Franchise Agreement"); and

WHEREAS, it is a condition to Franchisor's approval of the Lease, as required under the Franchise Agreement that this Agreement be fully executed and delivered by the parties hereto;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do mutually covenant and agree as follows:

1. Lender hereby consents to the Lease.

2. Tenant covenants and agrees with the Lender that the Lease is hereby made and shall continue hereafter to be subject and subordinate to the lien of the Mortgage (as same may be modified and extended) subject to the provisions of this Agreement.

3. Tenant certifies that the Lease is presently in full force an effect.

4. Lender agrees that so long as the Lease shall be in full force and effect and Tenant is not in default thereunder beyond any applicable cure period:

    a. Except as required by applicable law governing foreclosures and/or sales pursuant to power of sale, Tenant shall not be named or joined as a party defendant or otherwise in any suit, action, or proceeding for the foreclosure of the Mortgage or to enforce any rights under the Mortgage or the bond or note or other obligation secured thereby.

b. The possession by Tenant of the Premises and the Tenant's rights thereto shall not be disturbed, affected or impaired by, nor will the Lease or the term thereof be terminated or otherwise adversely affected by (i) any suit, action or proceeding upon the Mortgage or the bond or note or other obligation secured thereby, or for the foreclosure of the Mortgage or the enforcement of any rights under the Mortgage or any other documents held by the Lender, or (ii) any judicial sale or execution or other sale of the Premises, or by any deed given to Lender by any other documents or as a matter of law, or (iii) any default under the Mortgage or the bond or note or other obligation secured thereby.

5. If Lender shall become the owner of the Premises by reason of foreclosure of the Mortgage or otherwise, or if the Premises shall be sold as a result of any action or proceeding to foreclose the Mortgage or by a deed given in lieu of foreclosure, the Lease shall continue in full force and effect, without necessity for executing any new lease, as a direct lease between Tenant, as Tenant thereunder, and Then owner of the Premises, as Landlord thereunder, upon all of the same terms, covenants and provisions contained in the Lease, and in such event:

a. Tenant shall be bound to the Lender or to such new owner under all of the terms, covenants and provisions of the Lease for the remainder of the term thereof (including the option periods if Tenant elects or has elected to exercise its options to extend the term) and Tenant hereby agrees to attorn to such new owner and to recognize such new owner as Landlord under the Lease; and

b. If Tenant is not in default under the Lease beyond any applicable cure period, such new owner shall be bound to Tenant under all of the terms, covenants and provisions of the Lease for the remainder of the term thereof (including the option periods, if Tenant elects or has elected to exercise its options to extend the term) which terms, covenants and provisions such new owner hereby agrees to assume and perform, provided, however, that Lender or any successor or assignee of Lender shall not (i) be bound by any prepayment of rent or additional rent, unless received and receipted for by Lender or its successor or assignee; (ii) be personally liable under the Lease, and Lender's or its successor's or assignee's liability under the Lease shall be limited to the interest of the Lender or its successor or assignee in the Premises; (iii) be liable for any act or omission of any prior landlord under the Lease, including, without limitation, the Landlord, except for any continuing act or omission of which Lender had notice and failed to cure; (iv) be subject to any offsets or defenses which Tenant may have against any prior landlord under the Lease, including, Landlord, except for any offsets or defenses related to any continuing act or omission of which Lender has had notice and failed to cure; (v) except as provided in Section 8 below, be bound by any amendment, modification or termination of the Lease (other than a termination of the Lease by Tenant pursuant to the express terms of the Lease) made without Lender's prior written consent; and (vi) be liable to provide Tenant with any rights in or be bound by or be responsible for any restrictions on any property other than the Premises during the remainder of the term of the Lease.

6. Tenant, Landlord, and Lender acknowledge and agree that upon written instruction to Tenant from the Landlord or Lender instructing Tenant to make all rent and other payments due and to become due to Landlord under the Lease directly to Lender, the Tenant agrees to follow such direction until further written notice from the Lender, and Landlord and

Lender hereby expressly agree that any such payment shall discharge any obligation of Tenant to Landlord under the Lease to the extent of such payment; provided, however, that the foregoing shall have no effect on Tenant's rights to any offsets nor any effect on Landlord's obligations.

7. Tenant shall give Lender written notice of any default by Landlord under the Lease. Lender shall have the same period of time provided Landlord under the Lease within which to cure such default.

8. Landlord and Tenant may, from time-to-time, modify or amend the Lease without Lender's consent, provided such modifications or amendments do not result in a change in the Lease Term, the reduction of the Rent payable thereunder or make Landlord's obligations thereunder more onerous; any such modifications having such result and made without Lender's written consent shall be void and of no force and effect as between Lender and Tenant.

9. Tenant shall not pay an installment of rent more than thirty (30) days prior to the due date.

10. Any notices or communications given under this Agreement shall be in writing and shall be given by registered or certified mail, return receipt requested, postage prepaid, (a) if to Lender, at the address of Lender hereinabove set forth or at such other address as Lender may designate by notice, (b) if to Tenant, at the address of Tenant hereinabove set forth, or at such other address as Tenant may designate by notice or (c) if to Landlord, at the address of Landlord hereinabove set forth or at such other address as Landlord may designate by notice.

This Agreement may be executed in one or more counterparts, or by the parties executing separate counterpart signature pages, including facsimiles, all of which shall be deemed to be original counterparts of this Agreement.

This Agreement shall be governed by, and construed in accordance with, the laws of the state in which the Premises are located.

This Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective heirs, personal representatives, successors and assigns, including, without limitation, Franchisor.

This Agreement contains the entire agreement between the parties and cannot be changed, modified, waived or canceled except by an agreement in writing executed by the party against whom enforcement of such modification, change, waiver or cancellation is sought.

This Agreement and the covenants contained are intended to run with and bind all lands affected thereby.

(Signature pages to follow)

IN WITNESS WHEREOF, the parties hereby have set their hands and seals as of the day and year first above written.

Landlord:

By: ____ Date: _______________

Title: ____

Tenant:

By: ____ Date: ______________

Printed Name: ____

Lender:

By: ____ Date: ______________

Printed Name: ____

Signed, sealed and delivered in the presence of:

Unofficial Witness: ____ Date: ______________

Notary Public: ____ Date: ______________

(Seal)

ATTACHMENT F - AUTHORIZATION AGREEMENT FOR DIRECT DEBITS (ACH DEBITS)

FRANCHISE OWNER: ____

FRANCHISE OWNER FEIN: ____

Franchise Owner does hereby authorize The Ark Franchising, LLC a Tennessee limited liability company (the "Company"), to initiate debit electronic funds transfers from the bank account described below (the "Account") for amounts payable by Franchise Owner to the Company pursuant to the terms of that certain Franchise Agreement between the Company and Franchise Owner dated as of _________________________, 20_____, at the depository financial institution named below (the "Bank"), and to initiate credit electronic funds transfers to the Account in order to correct any errors that may occur.

BANK NAME: ____

CITY:____STATE:________________________

ABA ROUTING NUMBER: ____

ACCOUNT NUMBER.: ____

This authority is to remain in full force and effect until the Company has received written notification from Franchise Owner of its termination of such authority in such time and in such manner as to afford the Company and the bank a reasonable opportunity to terminate the debit arrangement established hereby.

Franchise Owner:

By: ____ Date: ________________

Title: ____

ATTACHMENT G - CONFIDENTIALITY AGREEMENT (EQUITY INTEREST OWNERS)

FRANCHISE OWNER:____

FRANCHISE AGREEMENT between The Ark Franchising, LLC and ____ __________________, dated ________________________, as same may be amended or renewed from time-to-time.

THIS CONFIDENTIALITY AGREEMENT (this "Agreement"), made as of the day ____ of ______________, ______________, between The Ark Franchising, LLC, a Tennessee limited liability company, ("Franchisor") and____

____
____
("Second Party");

DEFINITIONS:

For purposes of this Agreement, the following terms shall have the following meanings:

Confidential Information. Any information or data, other than Trade Secrets, that is of value and treated as confidential by Franchisor, including, without limitation (i) The Ark Pet Spa & Market operations manual and (ii) any information designated as a Trade Secret by Franchisor but which is ultimately determined, under applicable law, not to constitute a "trade secret," provided that same otherwise meets the definition of Confidential Information.

Franchise Agreement. The Franchise Agreement between Franchisor and Franchise Owner referenced at the beginning of this Agreement.

Franchise Owner. The franchise owner identified as such at the beginning of this Agreement.

Trade Secrets. Any information, without regard to form, related to Franchisor and its affiliates, including technical or non technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, specifications for designated products, methods of inventory control, operational systems, management techniques, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information (i) derives economic value, actual or potential, from not being generally known to, and not being 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.

RECITALS:

Franchisor is in the business of licensing others to develop and operate, at specific locations pursuant to written franchise agreements, Franchised Locations that will provide a full service The Ark Pet Spa & Hotel specializing in pet boarding, dog day care, pet grooming that are the same as, or similar to, the Franchise, as may evolve over time and in accordance with the proprietary system (the "System") developed and owned by Franchisor, as modified by Franchisor from time-to-time. The System includes certain trade names, service marks, trademarks, insignia, emblems, slogans, logos, commercial symbols, signs, trade dress, interior and exterior designs and specifications, and the motif, décor and color scheme and other visual identification by which the System is identified and publicized, whether now existing or hereafter created and designated by Franchisor. Under the Franchise Agreement, Franchisor requires that Franchise Owner cause each owner of a so called "Equity Interest" in Franchise Owner to execute and deliver an agreement in the form hereof. Second Party is the Owner of an Equity Interest in Franchise Owner and acknowledges that by virtue of Second Party's relationship with Franchise Owner, Second Party may receive, otherwise obtain or have access to certain Trade Secrets and Confidential Information in which Franchisor has a protectable interest. Accordingly, Franchisor desires to prevent Second Party from disclosing any such Trade Secrets and Confidential Information as hereinafter provided.

NOW, THEREFORE, for and in consideration of the foregoing Definitions and Recitals, which are incorporated herein as a material part of this Agreement, and the covenants contained herein, and other valuable consideration, the parties agree as follows:

DISCLOSURE OF INFORMATION

1. Business. Second Party recognizes and acknowledges that Franchise Owner will develop and operate, or has developed and is now operating, a location of The Ark Pet Spa & Hotel in accordance with the System and that such activities have involved, and continue to involve, the entrustment to Second Party of confidential, restricted and proprietary information of Franchisor, including Trade Secrets and Confidential Information.

2. Transfer of Equity Interest. Second Party hereby acknowledges its receipt of a copy of the Franchise Agreement and agrees to be bound by the provisions of Section XIX. thereof regarding the transfer of interests in Franchise Owner.

3. Covenant Not to Disclose Trade Secrets. Except to the extent it is necessary to use such information or data in the performance of Franchise Owner's express obligations under the Franchise Agreement, for so long as Second Party shall remain the owner of an Equity Interest in Franchise Owner or any subsidiary or affiliate of Franchise Owner and for so long afterwards as the information or data remain Trade Secrets, Second Party shall not publish, disclose, transfer, release or divulge, directly or indirectly, all or any part of any Trade Secrets to any person.

4. Covenant Not to Disclose Confidential Information. Except to the extent it is necessary to use such information or data in the performance of Franchise Owner's express obligations under the Franchise Agreement, Second Party shall not, (i) for so long during the term of the Franchise Agreement as Second Party shall remain the owner, directly or indirectly, of an Equity Interest in Franchise Owner and (ii) for a continuous uninterrupted period of two (2) years commencing upon the first to occur of (a) the date on which Second Party ceases to be the owner, directly or indirectly, of an Equity Interest in Franchise Owner or (b) the date of expiration or termination of the Franchise Agreement (regardless of the cause for termination), publish, disclose, transfer, release or divulge, directly or indirectly, all or any part of any Confidential Information (whether or not the Confidential Information is in written or tangible form) to any person.

5. Additional Covenants

   a. Second Party agrees not to permit any unauthorized reproduction of all or any part of any Confidential Information or Trade Secrets.

   b. Second Party agrees not to utilize any Confidential Information or Trade Secrets other than for the benefit of Franchise Owner.

c. Second Party agrees to observe all security policies implemented by Franchise Owner, from time-to-time, with respect to any Confidential Information and Trade Secrets.

d. Second Party acknowledges and agrees that all Confidential Information and Trade Secrets are and shall remain the property of Franchisor. Nothing in this Agreement or any course of conduct between Franchise Owner and Second Party shall be deemed to grant Second Party any rights in or to all or any portion of the Confidential Information or Trade Secrets.

e. At such time as Second Party ceases to be the owner of an Equity Interest in Franchise Owner, Second Party shall immediately deliver to Franchise Owner or to Franchisor, at its request (i) all memoranda, notes, records, drawings, manuals or other documents and all copies thereof pertaining to the business of Franchisor and (ii) all materials involving Confidential Information or Trade Secrets, including, but not limited to, The Ark Pet Spa & Hotel operations manual. This provision is intended to apply to all such materials made or compiled by Second Party, as well as all such materials furnished to Second Party by anyone else in connection with his or her relationship with Franchise Owner as an owner.

6. Value. The Confidential Information and Trade Secrets constitute valuable, special and unique assets of Franchisor and any disclosure contrary to the terms of this Agreement would cause substantial loss of competitive advantage and other serious injury to Franchisor and its franchise owners under the System, including Franchise Owner.

7. Severability. The covenants contained in this Section 1 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Second Party against Franchisor or Franchise Owner, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor of said covenants.

8. Injunction. Second Party recognizes and agrees that the injury Franchise Owner and/or Franchisor will suffer in the event of Second Party's breach of any covenant or agreement contained in this Section 1 cannot be compensated by monetary damages alone, and Second Party therefore agrees that in the event of a breach or threatened breach by Second Party of any of the provisions of this Section 1, Franchise Owner and Franchisor, in addition to and not in limitation of, any other rights, remedies or damages available to Franchise Owner and Franchisor at law, in equity, under this Agreement or otherwise, shall each be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Second Party. Neither Franchise Owner nor Franchisor shall be required to post a bond in excess of $1,000 or other security with respect to obtaining any such equitable relief. Second Party shall pay any and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Franchise Owner or Franchisor in enforcing their respective rights under this Agreement.

MISCELLANEOUS

1. Use of Definitions. The use of another tense of the defined term, or its use as a noun, adjective or adverb, or otherwise, means the same as the defined term, modified by the context of the sentence in which it is used.

2. Binding Effect. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to any person without the consent of Second Party. Second Party may not assign any of Second Party's rights or obligations under this Agreement.

3. Survival. The obligations of Second Party shall survive the expiration or termination of the Franchise Agreement (regardless of the cause of termination) and Second Party's transfer or assignment of Second Party's so called "Equity Interest" in Franchise Owner.

4. Entire Agreement. This Agreement contains the entire agreement of the parties. It may not be changed orally but only by an amendment in writing signed by the party against whom enforcement is sought. The waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any continuing or subsequent breach of that provision or of any other provision of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the state in which The Ark Pet Spa & Hotel operated by Franchise Owner pursuant to the Franchise Agreement is located.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the day and year first above written.

Licensee:

By: ____ Date: ________________

Title: ____

The Ark Franchising, LLC:

By: ____ Date: ________________

Title: ____

Second Party:

By: ____ Date: _______________

Printed Name: ____

ATTACHMENT H - CONFIDENTIALITY AGREEMENT (EMPLOYEES)

THIS CONFIDENTIALITY AGREEMENT (this "Agreement"), made as of the ________________________________ day of ____________________, _______________, among ____________________________________ ("Franchise Owner") which entered into that certain Franchise Agreement with The Ark Franchising, LLC, a Tennessee limited liability company ("Franchisor") dated _________________________, as same may be amended or renewed from time-to-time (the "Franchise Agreement") and

____ ("Second Party");

DEFINITIONS:

For purposes of this Agreement, the following terms shall have the following meanings:

Confidential Information. Any information or data, other than Trade Secrets, that is of value and treated as confidential by Franchisor, including, without limitation (i) The Ark Pet Spa & Hotel operations manual and (ii) any information designated as a Trade Secret by Franchisor but which is ultimately determined, under applicable law, not to constitute a "trade secret," provided that same otherwise meets the definition of Confidential Information.

Trade Secrets. Any information, without regard to form, related to Franchisor and its affiliates, including technical or non technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, methods of inventory control, operational systems, management techniques, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information (i) derives economic value, actual or potential, from not being generally known to, and not being 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.

RECITALS:

Franchisor is in the business of licensing others to develop and operate, at specific locations pursuant to written franchise agreements, Franchised Locations that will provide a full service The Ark Pet Spa & Hotel specializing in pet boarding, dog day care, pet grooming and retail products that is the same as, or similar to, the Franchise, as it may evolve over time, and in accordance with the proprietary system (the “System”) developed and owned by the Franchisor, and other products and services in accordance with the System, as modified by Franchisor from time-to-time. The System includes certain trade names, service marks, trademarks, insignia, emblems, slogans, logos, commercial symbols, signs, trade dress, interior and exterior designs and specifications, and the motif, décor and color scheme and other visual identification by which the System is identified and publicized, whether now existing or hereafter created and designated by Franchisor. Under the Franchise Agreement, Franchisor requires that a properly executed agreement in the form hereof be obtained by Franchise Owner from each of Franchise Owner's general manager and assistant managers, and in addition, from any other employees of Franchise Owner to whom any of Franchisor's Trade Secrets or Confidential Information may be disclosed, subject in any event to the restrictions on disclosure set forth in the Franchise Agreement. Second Party is an employee of Franchise Owner and acknowledges that by virtue of Second Party's relationship with Franchise Owner, Second Party may receive, otherwise obtain or have access to certain Trade Secrets and Confidential Information in which Franchisor has a protectable interest. Accordingly, Franchise Owner and Franchisor desire to prevent Second Party from disclosing any such Trade Secrets and Confidential Information as hereinafter provided.

NOW, THEREFORE, for and in consideration of the foregoing Definitions and Recitals, which are incorporated herein as a material part of this Agreement, and the covenants contained herein, and other valuable consideration, the parties agree as follows:

DISCLOSURE OF INFORMATION

1) Business. Second Party recognizes and acknowledges that Franchise Owner will develop and operate, or has developed and is now operating, The Ark Pet Spa & Hotel in accordance with the System and that such activities have involved, and continue to involve, the entrustment to Second Party and certain other employees of Franchise Owner of confidential, restricted and proprietary information of Franchisor, including Trade Secrets and Confidential Information.

2) Covenant Not to Disclose Trade Secrets. Except to the extent it is necessary to use such information or data in the performance of Franchise Owner's express obligations under the Franchise Agreement, for so long as Second Party shall remain an employee of Franchise Owner and for so long afterwards as the information or data remain Trade Secrets, Second Party shall not publish, disclose, transfer, release or divulge, directly or indirectly, all or any part of any Trade Secrets to any person.

3) Covenant Not to Disclose Confidential Information. Except to the extent it is necessary to use such information or data in the performance of Franchise Owner's express obligations under the Franchise Agreement, Second Party shall not, (i) for so long during the term of the Franchise Agreement as Second Party shall remain an employee of Franchise Owner and (ii) for a continuous uninterrupted period of two (2) years commencing upon the first to occur of (a) the date on which Second Party ceases to be an employee of Franchise Owner or (b) the date of expiration or termination of the Franchise Agreement (regardless of the cause for termination), publish, disclose, transfer, release or divulge, directly or indirectly, all or any part of any Confidential Information (whether or not the Confidential Information is in written or tangible form) to any person.

4) Additional Covenants.

   a) Second Party agrees not to permit any unauthorized reproduction of all or any part of any Confidential Information or Trade Secrets.

   b) Second Party agrees not to utilize any Confidential Information or Trade Secret other than for the benefit of Franchise Owner and to utilize same solely in connection with his or her employment and for no other reason.

   c) Second Party agrees to observe all security policies implemented by Franchise Owner, from time-to-time, with respect to any Confidential Information and Trade Secrets.

   d) Second Party acknowledges and agrees that all Confidential Information and Trade Secrets are and shall remain the property of Franchisor. Nothing in this Agreement or any course of conduct between Franchise Owner and Second Party shall be deemed to grant Second Party any rights in or to all or any portion of the Confidential Information or Trade Secrets.

   e) Second Party acknowledges that this Agreement does not create any obligation on Franchise Owner to continue to employ Second Party for any period.

   f) At such time as Second Party ceases to be an employee of Franchise Owner, Second Party shall immediately deliver to Franchise Owner (i) all memoranda, notes, records, drawings, manuals or other documents and all copies thereof pertaining to the business of Franchisor and (ii) all materials involving Confidential Information or Trade Secrets, including, but not limited to, The Ark Pet Spa & Hotel operations manual. This provision is intended to apply to all such materials made or compiled by Second Party, as well as all such materials furnished to Second Party by anyone else in connection with his or her relationship with Franchise Owner as an employee.

5) Value. The Confidential Information and Trade Secrets constitute valuable, special and unique assets of Franchisor and any disclosure contrary to the terms of this Agreement would cause substantial loss of competitive advantage and other serious injury to Franchisor and its franchise owners under the System, including the Franchise Owner.

6) Severability. The covenants contained in this Section 1 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Second Party against Franchise Owner, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor or Licensee of said covenants.

7) Injunction. Second Party recognizes and agrees that the injury Franchise Owner and/or Franchisor will suffer in the event of Second Party's breach of any covenant or agreement contained in this Section 1 cannot be compensated by monetary damages alone, and Second Party therefore agrees that in the event of a breach or threatened breach by Second Party of any of the provisions of this Section 1, Franchise Owner and Franchisor, in addition to and not in limitation of, any other rights, remedies or damages available to Franchise Owner or Franchisor at law, in equity, under this Agreement or otherwise, shall each be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Second Party. Neither Franchise Owner nor Franchisor shall be required to post a bond in excess of $1,000 or other security with respect to obtaining any such equitable relief. Second Party shall pay any and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Franchise Owner or Franchisor in enforcing their respective rights under this Agreement.

MISCELLANEOUS

1. Use of Definitions. The use of another tense of the defined term, or its use as a noun, adjective or adverb, or otherwise, means the same as the defined term, modified by the context of the sentence in which it is used.

2. Third Party Beneficiary. The Second Party hereby acknowledges and agrees that: (a) Franchisor requires Franchise Owner to obtain this Agreement from certain of its employees; (b) that Franchisor is a third party beneficiary of this Agreement; and (c) that Franchisor shall have the same rights and remedies as Franchise Owner to enforce the terms of this Agreement.

3. Binding Effect. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to any person without the consent of Franchise Owner or Second Party. Second Party may not assign any of Second Party's rights or obligations under this Agreement.

4. Survival. The obligations of Second Party shall survive the expiration or termination of the Franchise Agreement (regardless of the cause of termination) and Second Party's employment with Franchise Owner.

5. Entire Agreement. This Agreement contains the entire agreement of the parties. It may not be changed orally but only by an amendment in writing signed by the party against whom enforcement is sought. The waiver of a breach of any provision of this Agreement

shall not operate or be construed as a waiver of any continuing or subsequent breach of that provision or of any other provision of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the state in which The Ark Pet Spa & Hotel operated by Franchise Owner pursuant to the Franchise Agreement is located.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the day and year first above written.

Franchise Owner:

By: ____ Date: _______________

Title: ____

The Ark Franchising, LLC:

By: ____ Date: _______________

Title: ____

Second Party:

By: ____ Date: _______________

Printed Name: ____

ATTACHMENT I - NONCOMPETITION AGREEMENT (EQUITY INTEREST OWNERS)

FRANCHISE OWNER: ____

FRANCHISE AGREEMENT between The Ark Franchising, LLC and______________ ____ dated _______________________, as same may be amended or renewed from time-to-time.

Street Address of The Ark Pet Spa & Hotel: ____

THIS NONCOMPETITION AGREEMENT (this "Agreement"), made as of the _____ day of ____________, ______, between The Ark Franchises LLC a Tennessee limited liability company (“Franchisor") and

____("Second Party");

DEFINITIONS:

For purposes of this Agreement, the following terms shall have the following meanings:

Confidential Information. Any information or data, other than Trade Secrets, that is of value and treated as confidential by Franchisor, including, without limitation (i) operations manual and (ii) any information designated as a Trade Secret by Franchisor but which is ultimately determined, under applicable law, not to constitute a "trade secret," provided that same otherwise meets the definition of Confidential Information.

Franchise Agreement. The Franchise Agreement between Franchisor and Franchise Owner referenced at the beginning of this Agreement.

Franchise Owner. The franchise owner identified as such at the beginning of this Agreement.

Location. The location of The Ark Pet Spa & Hotel having the street address indicated at the beginning of this Agreement.

The Ark Pet Spa & Hotel. The Ark Pet Spa & Hotel (as defined below) which is the subject of the Franchise Agreement at the Location.

Trade Secrets. Any information, without regard to form, related to Franchisor and its affiliates, including technical or non technical data, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, methods of inventory control, operational systems, management techniques, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information (i) derives economic value, actual or potential, from not being generally known to, and not being 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.

RECITALS:

Franchisor is in the business of licensing others to develop and operate, at specific locations pursuant to written franchise agreements, The Ark Pet Spa & Hotels (each “The Ark Pet Spa & Hotel") that will provide a full service The Ark Pet Spa & Hotel specializing in pet boarding, doggy daycare, pet grooming, and pet retail, that is the same as, or similar to, The Ark Pet Spa & Hotel, as may evolve over time, and in accordance with the proprietary system (the "System") developed and owned by Franchisor, other products and services in accordance with the System developed and owned by Franchisor, as modified by Franchisor from time-to-time. The System includes certain trade names, service marks, trademarks, insignia, emblems, slogans, logos, commercial symbols, signs, trade dress, interior and exterior designs and specifications, and the motif, décor and color scheme and other visual identification by which the System is identified and publicized, whether now existing or hereafter created and designated by Franchisor (collectively, the "Marks").

Under the Franchise Agreement, Franchisor requires that Franchise Owner cause each owner of an Equity Interest in Franchise Owner to execute and deliver an agreement in the form hereof. Second Party is the owner of an Equity Interest in Franchise Owner and acknowledges that the experience, training and assistance offered by Franchisor under the Franchise Agreement, and Second Party's close contact with and knowledge of the System, could permit Second Party to take unfair and undue advantage of Franchisor and Franchise Owner by competing with Franchise Owner (and other franchise owners of Franchisor under the System) during and after the period Second Party is the owner of an Equity Interest in Franchise Owner. Second Party also acknowledges that the System as a whole, and the collective experience and expertise of Franchisor and Franchise Owner, constitute a protectable interest of Franchisor. Accordingly, Franchisor desires to prevent Second Party from unfairly competing with Franchise Owner (and other franchise owners of Franchisor under the System) as hereinafter provided.

NOW, THEREFORE, for and in consideration of the foregoing Definitions and Recitals, which are incorporated herein as a material part of this Agreement, and the covenants contained herein, and other valuable consideration, the parties agree as follows:

COVENANT NOT TO COMPETE

1. Business. Second Party recognizes and acknowledges that Franchise Owner will develop and operate, or has developed and is now operating, The Ark Pet Spa & Hotel pursuant to the System. The Ark Pet Spa & Hotels are identified and distinguished by the high quality of their menu items, by uniform standards and procedures of operation, and by the Proprietary Marks.

2. Transfer of Equity Interest. Second Party hereby acknowledges its receipt of a copy of the Franchise Agreement and agrees to be bound by the provisions of Section XIX thereof regarding the transfer of interests in Franchise Owner.

3. Noncompetition Second Party shall not, during the term of the Franchise Agreement, and for so long during the term of the Franchise Agreement as Second Party shall remain the owner of an Equity Interest in Franchise Owner, on Second Party's own account or as a shareholder, partner, member or other owner, officer, director, manager, agent, representative, employee or consultant of any person (including, without limitation, any entity) own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any person (including, without limitation, any entity) engaged in any business enterprise which operates The Ark Pet Spa & Hotel specializing in in pet boarding, doggy daycare, pet grooming, and pet retail that is the same as, or similar to, The Ark Pet Spa & Hotel that is the same as, or similar to, the Franchise, as may evolve over time, and in accordance with the proprietary system (the "System") developed and owned by Franchisor, and other products or services and which is located at the Location.

Second Party shall not, for a continuous uninterrupted period of two (2) years commencing upon the first to occur of (i) the date on which the Second Party ceases to be the owner of an Equity Interest in Franchise Owner or (ii) the date of expiration or termination of the Franchise Agreement (regardless of the cause for termination), on Second Party's own account or as a shareholder, partner, member or other owner, officer, director, manager, agent, representative, employee or consultant of any person (including, without limitation, any entity) own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any person (including, without limitation, any entity) engaged in any business enterprise which operates The Ark Pet Spa & Hotel specializing in in pet boarding, doggy daycare, pet grooming, and pet retail that is the same as, or similar to, The Ark Pet Spa & Hotel (the "System") developed and owned by Franchisor, and other products or services and which are located at the Location.

4. Inapplicability of Restrictions. Section 1.3 shall not apply to the ownership by Second Party of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

5. Modification of Covenants. Second Party understands, acknowledges and agrees that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth herein or any portion thereof, without Second Party's consent, effective immediately upon receipt by Second Party of written notice thereof, and Second Party agrees to forthwith comply with any covenant as so modified.

6. Severability. The covenants contained in this Section 1 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Second Party against Franchisor or Franchise Owner, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor of said covenants.

7. Injunction. Second Party recognizes and agrees that the injury Franchise Owner and/or Franchisor will suffer in the event of Second Party's breach of any covenant or agreement contained in this Section 1 cannot be compensated by monetary damages alone, and Second Party therefore agrees that in the event of a breach or threatened breach by Second Party of any of the provisions of this Section 1, Franchise Owner and Franchisor, in addition to and not in limitation of, any other rights, remedies or damages available to Franchise Owner and Franchisor at law, in equity, under this Agreement or otherwise, shall each be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Second Party. Neither Franchise Owner nor Franchisor shall be required to post a bond in excess of $1,000 or other security with respect to obtaining any such equitable relief. Second Party shall pay any and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Franchise Owner or Franchisor in enforcing their respective rights under this Agreement.

8. Reasonability. Second Party acknowledges and agrees that the type and period of restrictions imposed by all of the covenants in this Section 1 are fair and reasonable and that such limitations and restrictions will not prevent Second Party from earning a livelihood. If the scope of any limitations and restrictions imposed by the covenants in this Section 1 are too broad to permit enforcement thereof as written, then such limitations or restrictions shall be enforced to the maximum extent permitted by law, and Second Party

and Franchisor hereby expressly consent and agree that such scope may be judicially modified accordingly in any proceeding brought to enforce such limitations or restrictions.

MISCELLANEOUS

1. Use of Definitions. The use of another tense of the defined term, or its use as a noun, adjective or adverb, or otherwise, means the same as the defined term, modified by the context of the sentence in which it is used.

2. Binding Effect. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to any person without the consent of Second Party. Second Party may not assign any of Second Party's rights or obligations under this Agreement.

3. Survival. The obligations of Second Party shall survive the expiration or termination of the Franchise Agreement (regardless of the cause of termination), and Second Party's transfer or assignment of Second Party's so called "Equity Interest" in Franchise Owner.

4. Entire Agreement. This Agreement contains the entire agreement of the parties. It may not be changed orally but only by an amendment in writing signed by the party against whom enforcement is sought. The waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any continuing or subsequent breach of that provision or of any other provision of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the state in which The Ark Pet Spa & Hotel operated by Franchise Owner pursuant to the Franchise Agreement is operated.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the day and year first above written.

The Ark Franchising, LLC:

By: ____ Date: _______________

Title: ____

Second Party:

By: ____ Date: ______________

Printed Name: ____

EXHIBIT D

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made and entered into on ________________ ("**Effective Date**") by and between **THE ARK FRANCHISING, LLC**, a Tennessee limited liability company ("**we**", **"our"** or **"us"**) and _________ , a ______________ ("**you**" or **"your"**).

WHEREAS, we and our affiliates, through the exercise and expenditure of effort, expertise, knowledge, money, time, and other valuable resources, have developed a unique system for the opening and operation of retail pet spas and hotels that offer boarding, dog day care, pet grooming, retail (i.e., the "Slobberbones Bakery & Market") and other related products and services under the mark "The Ark Pet Spa & Hotel" and other marks we designate from time to time (each, a **"Pet Spa & Hotel"**):

WHEREAS, you have entered into a Franchise Agreement with us as of even date herewith (the **"First Franchise Agreement"**) under which you have obtained the right to operate a Pet Spa & Hotel; and

WHEREAS, you wish to have the right to develop additional Pet Spa & Hotels in the Development Area (as defined below), and we desire to grant you the right to develop additional Pet Spa & Hotels, subject to the terms and conditions of this Agreement;

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

1. **Grant of Development Rights.**

(a) Subject to the terms of this Agreement, we grant you the right to develop that number of Pet Spa & Hotels specified on **Exhibit A** according to the mandatory development schedule set forth on **Exhibit A** to this Agreement (the **"Development Schedule"**) within the geographic area specified on **Exhibit B** (the **"Development Area"**).

(b) During this Agreement's term only, provided you are in full compliance with this Agreement, neither we nor our affiliates shall operate a Pet Spa & Hotel, nor grant the right to operate a Pet Spa & Hotel to any other person, within the Development Area. The protections described in this **Section 1** are the only restrictions on our and our affiliates' activities within the Development Area. Except for such restrictions, you acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Development Area, including, without limitation, those we reserve in the First Franchise Agreement.

(c) After this Agreement expires or is terminated under **Section 7**, we and our affiliates have the right, without any restrictions whatsoever, to (i) establish and operate, and grant to others the right to establish and operate, Pet Spa & Hotels within the Development Area; and (ii) continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within the Development Area.

(d) Development Fee**.** The total amount of the Development Fee is specified on **Exhibit A** (the **"Development Fee"**) which equals the amount of all initial franchise fees due under the First Franchise Agreement and subsequent Franchise Agreements entered into hereunder. No initial franchise fees shall be due under the First Franchise Agreement and subsequent Franchise Agreements entered into hereunder notwithstanding anything to the contrary contained in any Franchise Agreement. The Development Fee is fully earned when received by us, and is non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein.

2. **Franchise Agreements.**

(a) The franchise agreement for each subsequent Franchise developed hereunder (together with the First Franchise Agreement, the **"Franchise Agreements"**) will be entered into by the Signing Deadline (as defined) and shall be in the form of the franchise agreement being offered generally by us at the time each such Franchise Agreement is executed, except that (i) as stated above, no initial franchise fee shall be due thereunder; and (ii) the Development Deadlines for site selection, lease signing and opening specified on the Development Schedule shall supersede any deadlines for site selection, lease signing and opening set forth in the Franchise Agreements.

(b) We may, in our sole discretion, permit one or more Franchise Agreements to be executed by your affiliates; provided that (i) you own a controlling ownership interest in the affiliated entity; and (ii) we approve the ownership structure of, and each owner in, the affiliated entity.

3. **Extension**. Notwithstanding the Development Schedule, provided that you are in full compliance with this Agreement and all Franchise Agreements, you may extend the Development Deadlines that apply to a single Pet Spa & Hotel to be developed hereunder once for a period not to exceed six months provided that you (a) pay an extension fee of $10,000; and (b) provide us with written notice at least 60 days in advance of the Development Deadlines being extended prior to the tolling of the applicable Development Deadline.

4. **Term**. The term of this Agreement and all rights granted hereunder shall expire on the last Opening Deadline specified in the Development Schedule, subject to earlier termination in accordance with this Agreement.

5. **Automatic Termination.** You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you if you shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless appealed or a supersede as bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit

to foreclose any lien or mortgage against the premises or equipment of any Pet Spa & Hotel developed hereunder is instituted against you and not dismissed within 30 days; or if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable.

6. **Termination Upon Notice.** Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 8 below, without affording you any opportunity to cure the default, effective immediately upon the provision of written notice to you:

(a) you fail to meet any obligation under the Development Schedule;

(b) we have delivered a formal written notice of default to you (or your approved affiliate) under any Franchise Agreement or another franchise agreement between us and you (or your approved affiliate) for a Franchise, and you (or your approved affiliate) fail to cure that default within the required timeframe;

(c) any Franchise Agreement, or another franchise agreement, between us and you (or your approved affiliate) for a Pet Spa & Hotel is terminated by us in accordance with its terms due to your or your affiliate's default; or

(d) any other violation of this Agreement by you that is not cured within 30 days after we have given you written notice of the same.

Termination of this Rider under clause (a) above shall not cause a termination of any franchise rights granted under any Franchise Agreement or another franchise agreement, between us and you (or your approved affiliate) for a Pet Spa & Hotel.

7. **Actions in Lieu of Termination.** If we are entitled to terminate this Agreement in accordance with Section 7 above, we have the right to undertake any one or more of the following actions instead of terminating this Agreement:

(a) we may terminate or modify any rights that you may have with respect to protection in the Development Area, as granted under Section 1 above, effective ten days after delivery of written notice thereof to you;

(b) we may modify the boundaries of the Development Area; and/or

(c) we may reduce or eliminate the number of Pet Spa & Hotels that you may establish and operate under this Agreement.

If any right is modified in accordance with this Section 8, such action shall be without prejudice to the right to terminate this Agreement in accordance with Section 7 above, and we shall have the right to retain the entire Development Fee paid by you, and/or to terminate any other rights under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement. Upon termination or expiration of this Agreement, we shall be entitled to establish, and to license others to establish, Pet Spa & Hotels in the Development Area (except as may be otherwise provided under any existing franchise agreement that has been executed between us and you or your approved affiliates).

8. **Sublicensing.** You may not franchise, license, subfranchise, or sublicense others to develop and operate Pet Spa & Hotels. Only you (and/or approved affiliates) may construct, develop, open, and operate Pet Spa & Hotels, and this Agreement does not give you (or your approved affiliates) any independent right to use the "Ark Pet Spa & Hotel" name or our other marks and commercial symbols. The right to use our names, marks and commercial symbols is granted only under a franchise agreement signed directly with us. This Agreement only grants you potential development rights if you fully comply with its terms.

9. **Transfer.** You and each of your owners understands and acknowledges (a) that the rights and duties set forth in this Agreement are personal to you and your owners; (b) that we have granted the rights described in this Agreement in reliance on your and/or your owners' business skill, financial capacity, and personal character; and (c) that we have granted the rights herein with the expectation, and based on the representations of you, that you and no other persons or entities, will develop, own or operate Pet Spa & Hotels in the Development Area. Accordingly, you and your owners shall not transfer substantially all of your assets or a controlling interest in you (if you are an entity).

10. **Miscellaneous.**

(a) This Agreement does not establish a fiduciary relationship between us and you. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

(b) This Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted and construed under the laws of the State of Tennessee, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

(c) Any claims relating to this Agreement must be filed in a federal or state court for the district or county where we have our principal place of business at the time suit is filed. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(d) No right or remedy conferred upon or **reserved by the parties by this** Agreement is intended to be, nor shall it be, exclusive of any other right or remedy contained in the Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(e) Any failure by us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Our waiver of any particular default or breach by you shall not affect or impair our rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of us to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants hereof, affect or impair our right to exercise the same; nor shall such constitute a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery to you of ten days prior written notice.

(f) Time is of the essence to the performance of all obligations of the parties to be performed under this Agreement.

(g) Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government which did not arise from a violation or alleged violation of any Law; (2) acts of God; (3) fires, strikes, embargoes, war, pandemics, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or other amounts due afterward.

(h) All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law requires a greater prior notice of the termination of this Agreement than is required hereunder, or require the taking of some other action not required hereunder, the prior notice or other action required by such law shall be substituted for the notice or other requirements hereof.

(i) This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to development rights granted hereunder and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the Exhibits, attachments, and the recitals of this Agreement, all of which are incorporated into this Agreement by this reference.

(j) This Agreement may be amended or modified only by a written document signed by each party hereto.

(k) Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration or termination.

(l) Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

(m) The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. If the term "you" as used herein is applicable to one or more persons, the singular usage includes the plural; and the masculine and neuter usages include the other and feminine. .

(n) All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to you will be sent to the address set forth below your signature. Notices to us must be sent to:

The Ark Franchising, LLC
3847 Hixson Pike
Chattanooga, TN 37415
Attention: John L. Floyd, Jr.

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

(o) If either party seeks to enforce this Agreement in an arbitration or a judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys' fees, attorneys' assistants' fees, accountants' fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel, room and board, salaries and benefits of those employees participating in such proceeding) incurred in connection with such judicial or other proceeding. If we incur costs and expenses due to your failure to pay when due amounts owed to us, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur including, but not limited to, reasonable accounting, attorneys', arbitrators', and related fees.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the Effective Date.

THE ARK FRANCHISING, LLC

By:____________________________________
Name: John L. Floyd, Jr.
Title: Chief Executive Officer

FRANCHISEE
[Name]
By:____________________________________
Name:__________________________________
Title:___________________________________
Address for Notices: ______________________
____
____
Attn:___________________________________

EXHIBIT A
TO
AREA DEVELOPMENT AGREEMENT

1. **Development Schedule.** You agree to establish and operate ____ Pet Spa & Hotels in the Development Area according to the following Development Schedule:

Pet Spa & Hotel #	**Signing Deadline**	**Site Acceptance and Lease Signing Deadline**	**Opening Deadline**	**Cumulative Total # of Pet Spa & Hotels** *(in operation by the Opening Deadline)*
#1	Concurrently with this Agreement			1
#2				2
#3				3
#4				4
#5				5

Notes:

(1) By each **"Signing Deadline"**, you must have signed copy of our then-current standard form of Franchise Agreement.

(2) By each **"Site Acceptance and Lease Signing Deadline"** the site for the Pet Spa & Hotel must have been accepted by us and you must have entered into a lease for the accepted site in accordance with the Franchise Agreement.

(3) The Pet Spa & Hotel must be open by the **"Opening Deadline"** and you must have the specified **"Cumulative Total # of Pet Spa & Hotels"** open and operating by the Opening Deadline that are specified in the last column.

The deadlines specified above are collectively referred to as the **"Development Deadlines"** and shall supersede any deadlines set forth in the Franchise Agreements entered into hereunder.

2. **Development Fee.** The total Development Fee is $___________.

THE ARK FRANCHISING, LLC

By: ____________________________
Name: John L. Floyd, Jr.
Title: CEO

____
By:_______________________________
Name:_____________________________
Title:______________________________

EXHIBIT B
TO
AREA DEVELOPMENT AGREEMENT
DEVELOPMENT AREA

The Development Area is *[attach map(s) as necessary]*:____________________________
____
____

THE ARK FRANCHISING, LLC	______________________________________
By: _______________________	By: ___________________________
Name: John L. Floyd, Jr.	Name:_________________________
Title: CEO	Title: __________________________

EXHIBIT E

STATE ADDENDA TO DISCLOSURE DOCUMENT

NONE

EXHIBIT F

STATE ADDENDA TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

NONE

EXHIBIT G

OPERATIONS MANUAL TABLE OF CONTENTS

Brand Standards Manual

The Ark Pet Spa & Hotel | May, 2021

CONFIDENTIAL TRADE SECRET NOTICE
The material in this manual is intended as the personal guide for each franchise owner. Therefore, its contents are confidential and should be viewed only by those personas employed by The Ark Franchising, LLC or the franchise owner.

Brand Standards Manual
Table of Contents

EXHIBIT H-1

CURRENT FRANCHISEES

NONE

EXHIBIT H-2

FORMER FRANCHISEES

NONE

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

EXHIBIT I

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, The Ark Franchising, LLC ("The Ark Pet Spa & Hotel") and you are preparing to enter into a Franchise Agreement for the operation of a The Ark Pet Spa & Hotel location. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that The Ark Pet Spa & Hotel has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. **Yes ____ No ____** Have you received and personally reviewed the Franchise Agreement and each exhibit and schedule attached to it?
2. **Yes ____ No____** Do you understand all the information contained in the Franchise Agreement and each exhibit and schedule attached to it?
3. **Yes ____ No____** Have you received and personally reviewed The Ark Pet Spa & Hotel Franchise Disclosure Document ("Disclosure Document") we provided to you?
4. **Yes ____ No____** Did you sign a receipt for the Disclosure Document indicating the date you received it?
5. **Yes ____ No____** Do you understand all of the information contained in the Disclosure Document?
6. **Yes ____ No____** Have you discussed the benefits and risk s of operating The Ark Pet Spa & Hotel Franchise with an attorney, accountant or other professional advisor, and do you understand those risks?
7. **Yes ____ No____** Do you understand that the success or failure of your Franchise 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, business and market factors?
8. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise concerning the revenues, profits or operating costs of a The Ark Pet Spa & Hotel operated by The Ark Pet Spa & Hotel or its franchise owners?
9. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise concerning the revenues, profits or operating costs of a The Ark Pet Spa & Hotel Pet Franchise that is contrary to, or different from, the information contained in the Disclosure Document?
10. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise regarding the amount of money you may earn in operating The Ark Pet Spa & Hotel Franchise?
11. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise regarding the amount of money you may earn in operating The Ark Pet Spa & Hotel Franchise that is contrary to, or different from, the information contained in the Disclosure Document?

12. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise concerning the total amount of revenue The Ark Pet Spa & Hotel Franchise will generate?

13. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise concerning the total amount of revenue The Ark Pet Spa & Hotel Franchise will generate that is contrary to, or different from, the information contained in the Disclosure Document?

14. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise regarding the costs you may incur in operating The Ark Pet Spa & Hotel Franchise?

15. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise regarding the costs you may incur in operating The Ark Pet Spa & Hotel Franchise that is contrary to, or different from, the information contained in the Disclosure Document?

16. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating The Ark Pet Spa & Hotel Franchise?

17. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating The Ark Pet Spa & Hotel Franchise that is contrary to, or different from, the information contained in the Disclosure Document?

18. **Yes ____ No____** Has any employee or other person speaking on behalf of The Ark Pet Spa & Hotel made any statement, promise or agreement concerning the advertising, marketing, training, support, service or assistance that The Ark Pet Spa & Hotel will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

19. If you have answered "Yes" to any of Questions eight (8) through eighteen (18), 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 the foregoing questions, please leave the following lines blank. ____

You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Prospective Franchise Owner 1

By: ____ Date: ________________

Printed Name: ____

Prospective Franchise Owner 2

By: ____ Date: ________________

Printed Name: ____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
Indiana	PENDING
Michigan	5/20/2021
Wisconsin	PENDING

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provision of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If The Ark Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If The Ark Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on **Exhibit A**. See **Exhibit A** for our registered agent authorized to receive service of process. The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Adam Harbin	3847 Hixson Pike Chattanooga, TN 37415	(855)-611-7387
John L. Floyd, Jr.	3847 Hixson Pike Chattanooga, TN 37415	(855)-611-7387
Brandon Wilson	107 Parr Drive Huntersville, NC 28078	704-703-9500

Insert other franchise sellers (and their principal business addresses and telephone numbers):____
____

Issuance Date: April 30, 2022. I have received a Disclosure Document dated April 30, 2022 that included the following Exhibits:

A. State Administrators/Agents for Service of Process
B. Financial Statements
C. Franchise Agreement
D. Area Development Agreement
E. State Addenda to Disclosure Document
F. State Addenda to Franchise Agreement and Area Development Agreement
G. Operations Manual Table of Contents
H-1. Current Franchisees
H-2. Former Franchisees
I. Franchise Disclosure Questionnaire
Receipt (2 copies)

Signature:____________________________
Date Received:________________________

Return this copy to us (The Ark Franchising, LLC, 3847 Hixson Pike, Chattanooga, TN 37415, email: adamharbin@thearkspa.com)

RECEIPT

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Receipt (2 copies)

Signature:____________________________
Date Received:________________________

You may retain this copy for your records.