

**Form A – Uniform Franchise Registration Application**

**UNIFORM FRANCHISE REGISTRATION APPLICATION**

File No. \_\_\_\_\_  
(Insert file number of immediately  
preceding filing of Applicant)

State: Wisconsin

Fee: \$400.00

**APPLICATION FOR (Check only one):**

- X   INITIAL REGISTRATION OF AN OFFER AND SALE OF FRANCHISES  
       RENEWAL APPLICATION OR ANNUAL REPORT  
       PRE-EFFECTIVE AMENDMENT  
       POST-EFFECTIVE MATERIAL AMENDMENT

1. Full legal name of Franchisor: Pet Passages Franchising, Inc.
2. Name of the franchise offering: Pet Passages
3. Franchisor's principal business address: 348 State Route 104, Ontario, NY 14519
4. Name and address of Franchisor's agent in this State authorized to receive service of process: Department of Commerce  
Director of Registration  
85 Seventh Place East, #500  
St. Paul, MN 55101-3165  
(651) 296-4026
5. The states in which this application is or will be shortly on file:  
  
New York, Utah, Michigan,  
Maryland, Minnesota, Illinois,  
California, Wisconsin, Indiana,  
Washington, and Virginia.

6. Name, address, telephone and facsimile numbers, and e-mail address of person to whom communications regarding this application should be directed:

Tricia Cifuentes-Inglese, Esq.  
1844 Penfield Road  
Penfield, New York 14526  
P: (585) 381-8240  
F: (585) 348-9052  
TCifuentes@dlfpc.com

Certification

I certify and swear under penalty of law that I have read and know the contents of this application, including the Franchise Disclosure Document with an issuance date of March 29, 2024 attached as an exhibit, and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions. I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge.

Signed at Penfield, New York, July 26, 2024

Franchisor:

Pet Passages Franchising, Inc.

By:

M. Harris

Name: Michael Harris

Title: President

Form C – Uniform Franchise Consent to Service of Process

UNIFORM FRANCHISE CONSENT TO SERVICE OF PROCESS

Pet Passages Franchising, Inc. , a corporation

organized under the laws of New York "Franchisor"), irrevocably appoints the officers of the States designated below and their successors in those offices, its attorney in those States for service of notice, process or pleading in an action or proceeding against it arising out of or in connection with the sale of franchises, or a violation of the franchise laws of that State, and consents that an action or proceeding against it may be commenced in a court of competent jurisdiction and proper venue within that State by service of process upon this officer with the same effect as if the undersigned was organized or created under the laws of that State and had lawfully been served with process in that State. We have checked below each state in which this application is or will be shortly on file, and provided a duplicate original bearing an original signature to each state.

\_\_\_\_\_ California: Commissioner of Corporations

\_\_\_\_\_ Hawaii: Commissioner of Securities

\_\_\_\_\_ Illinois: Attorney General

\_\_\_\_\_ Indiana: Secretary of State

\_\_\_\_\_ Maryland: Securities Commissioner

\_\_\_\_\_ Minnesota: Commissioner of Commerce

\_\_\_\_\_ New York: Secretary of State

\_\_\_\_\_ North Dakota: Securities Commissioner

\_\_\_\_\_ Rhode Island: Director, Department of Business Regulation

\_\_\_\_\_ South Dakota: Director of the Division of Securities

\_\_\_\_\_ Virginia: Clerk, Virginia State Corporation Commission

\_\_\_\_\_ Washington: Director of Financial Institutions

☒ Wisconsin: Administrator, Division of Securities, Department of Financial Institutions

Please mail or send a copy of any notice, process or pleading served under this consent to:

Pet Passages Franchising, Inc.

348 State Route 104

Ontario, New York 14519

Dated: July 26, 2024.

Franchisor:

Pet Passages Franchising, Inc.

By: M. Harris

Name: Michael Harris

Title: President

## FRANCHISE DISCLOSURE DOCUMENT



**Pet Passages Franchising, Inc.**

**348 State Route 104, Ontario, NY 14519**

**Phone: (585) 265-9933**

**E-Mail: [mikeharris@petpassages.com](mailto:mikeharris@petpassages.com)**

**Website: [www.national.petpassages.com](http://www.national.petpassages.com)**

Pet Passages Franchising, Inc. offers franchises for the operation of a business that provides pet cremation and memorialization products and services at wholesale and retail to veterinarians, pet hospitals, humane societies and other businesses, and also to individual families mourning the loss of their pets. The total investment necessary to begin operation of your Pet Passages® franchised business ranges from \$71,150 to \$448,900. This includes the initial Franchise Fee ranging from \$55,000.00 - \$75,000.00, which amounts must be paid to us.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 the franchisor at 348 State Route 104, Ontario, NY 14519 or by phone at (585) 265-9933.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission (the "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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 29, 2024.



### How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

### Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation in New York State. Out-of-State mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with us in New York State than in your own state.
2. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's matrimonial and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Mandatory Minimum Expenditure.** You must make minimum advertising expenditure, yearly regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

<b>ITEM 1</b>	<b>THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....</b>	<b>7</b>
<b>ITEM 2</b>	<b>BUSINESS EXPERIENCE.....</b>	<b>9</b>
<b>ITEM 3</b>	<b>LITIGATION.....</b>	<b>9</b>
<b>ITEM 4</b>	<b>BANKRUPTCY.....</b>	<b>9</b>
<b>ITEM 5</b>	<b>INITIAL FEES.....</b>	<b>9</b>
<b>ITEM 6</b>	<b>OTHER FEES.....</b>	<b>11</b>
<b>ITEM 7</b>	<b>ESTIMATED INITIAL INVESTMENT.....</b>	<b>15</b>
<b>ITEM 8</b>	<b>RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....</b>	<b>17</b>
<b>ITEM 9</b>	<b>FRANCHISEE’S OBLIGATIONS.....</b>	<b>21</b>
<b>ITEM 10</b>	<b>FINANCING.....</b>	<b>21</b>
<b>ITEM 11</b>	<b>FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....</b>	<b>22</b>
<b>ITEM 12</b>	<b>TERRITORY.....</b>	<b>28</b>
<b>ITEM 13</b>	<b>TRADEMARKS.....</b>	<b>29</b>
<b>ITEM 14</b>	<b>PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....</b>	<b>30</b>
<b>ITEM 15</b>	<b>OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....</b>	<b>30</b>
<b>ITEM 16</b>	<b>RESTRICTIONS ON WHAT FRANCHISEE MAY SELL.....</b>	<b>31</b>
<b>ITEM 17</b>	<b>RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....</b>	<b>32</b>
<b>ITEM 18</b>	<b>PUBLIC FIGURES.....</b>	<b>35</b>
<b>ITEM 19</b>	<b>FINANCIAL PERFORMANCE REPRESENTATIONS.....</b>	<b>35</b>
<b>ITEM 20</b>	<b>OUTLETS AND FRANCHISEE INFORMATION.....</b>	<b>36</b>
<b>ITEM 21</b>	<b>FINANCIAL STATEMENTS.....</b>	<b>40</b>
<b>ITEM 22</b>	<b>CONTRACTS.....</b>	<b>40</b>
<b>ITEM 23</b>	<b>ACKNOWLEDGMENT OF RECEIPT.....</b>	<b>40</b>

<b>EXHIBIT “A”</b>	<b>State Agencies and Administrators</b>
<b>EXHIBIT “B”</b>	<b>Franchisor’s Agent for Service of Process</b>
<b>EXHIBIT “C”</b>	<b>Franchise Agreement</b>
<b>EXHIBIT “D”</b>	<b>Table of Contents to Manual</b>
<b>EXHIBIT “E”</b>	<b>List of Franchisees</b>
<b>EXHIBIT “F”</b>	<b>Financial Statements</b>
<b>EXHIBIT “G”</b>	<b>State Addendum</b>
<b>EXHIBIT “H”</b>	<b>Franchisee Organizations</b>
<b>EXHIBIT “I”</b>	<b>Request for Consideration</b>
<b>EXHIBIT “J”</b>	<b>State Effective Dates</b>
<b>EXHIBIT “K”</b>	<b>Receipts</b>

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

To simplify the language in this Disclosure Document, “we”, “us” and “the Company” mean Pet Passages Franchising, Inc. - the franchisor. “You” means the person who buys a Pet Passages franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company. Your “Location” means the location that you will operate if we grant you a Pet Passages franchise.

### Corporate Information - Franchisor

Pet Passages Franchising, Inc. is a New York corporation formed on November 23, 2015. We maintain our principal place of business at 348 State Route 104, Ontario NY 14519. We do not do business under any name other than “Pet Passages Franchising, Inc.” and our trade name “Pet Passages.” Our agent for service of process is disclosed in Exhibit “B” to this Disclosure Document. If you purchase a Pet Passages franchise, you will execute a franchise agreement with us (the “Franchise Agreement”), the form of which is attached to this Disclosure Document as Exhibit “C.”

### Our Business History

We have been offering Pet Passages franchises since January 25, 2016. We have never offered franchises in any other line of business and are engaged in no business other than the offering of Pet Passages franchises. Our affiliate MindyAnn, Inc. operates 3, and our affiliate Ellis Wallace Enterprises, Inc. operates 1 “company owned” outlets. Except for our affiliate owned outlets, we have never conducted a business of the type to be operated by the franchisee.

### Our Parents, Affiliates and Predecessors

We do not have any parent companies, affiliates or predecessors other than the following:

(1) Pet Passages, Inc. is a New York corporation wholly owned by Michael Harris (our sole shareholder), and was formed in July, 2011. Pet Passages, Inc. owns the Marks, and prior to us offering Pet Passages franchises, was licensing the use of its proprietary software, websites and coaching to pet funeral homes and cremation businesses beginning in 2011 through 2015. Now, Pet Passages, Inc. works with us to offer products on our franchisee’s websites, and has granted us an exclusive license to sublicense the Marks and utilize the Marks in our System. Pet Passages, Inc. has not offered any franchises in this business or any other lines of business. Pet Passages, Inc.’s business address is 348 State Route 104, Ontario NY 14519.

(2) MindyAnn, Inc. is a New York corporation wholly owned by Michael Harris (our sole shareholder). MindyAnn, Inc. has been operating a Pet Passages at 2825 Business Center Blvd C-3, Melbourne, Florida 32940 since November, 2016 and opened a facility at 348 State Route 104, Ontario, New York 14519 at the end of 2017. Its facilities will be the training facilities for Pet Passages franchisees. MindyAnn, Inc. has not offered any franchises in this business or any other lines of business.

(3) Ellis Wallace Enterprise, Inc. is a Louisiana corporation partially owned by Michael Harris (our sole shareholder). Ellis Wallace Enterprise, Inc. has signed a franchise agreement and is projected to open its Louisiana facility at 110 Eunice St, Lafayette, Louisiana 70508 in 2023. Its facilities may be used for training for Pet Passages franchisees. Ellis Wallace Enterprise, Inc. has not offered any franchises in this business or any other lines of business.

## Description of Franchised Business

We grant franchises to operate pet crematoriums and provide pet memorialization services under the “Pet Passages” name (the “System”). We offer franchises to franchisees that operate preexisting funeral homes, veterinary hospitals, and humane societies as well as franchisees that have no prior experience in operating a funeral or crematorium business. We will show you how to operate a pet crematorium and memorialization business that provides a variety of goods and/or services utilizing the System, including our proprietary pet tracking software (your “Franchised Business”). Some of this information will be provided by us during the initial training program.

We will grant you a sublicense to use certain trademarks, service marks, logos and trade names, including the Pet Passages name (collectively, the “Marks”) in connection with the operation of your Franchised Business. The operational aspects of a Pet Passages Franchised Business are contained within the confidential Operating Manual (the “Manual”). You will operate your Pet Passages franchise as an independent business using the Marks, the System, the Pet Passages name, as well as the support, guidance and other methods and materials provided or developed by us. You will offer and provide Pet Passages goods/services to the general public under the terms and conditions contained within the Franchise Agreement and the Manual. You may offer no other goods or services in conjunction with the System or the Marks without our prior written approval.

## Market and Competition

The market for the products and services offered by a Pet Passages business is still developing as pet owners are becoming more interested in pet funerals, cremation and memorialization products and services. If you operate a Pet Passages franchise, your competition will primarily consist of traditional funeral homes, local pet disposal companies, crematoriums, kennels and veterinary hospitals that also provide pet crematory and memorialization services.

## Laws and Regulations

You must comply with all federal, state and local laws and regulations relating to the operation of your Franchised Business. Most state and local health departments as well as local environmental protection agencies regulate the cremation of pets, and you must comply with any rules or regulations issued by such departments and regulatory agencies. In addition, you must locate your Franchised Business in an area that has the proper zoning for a crematory and there may be other laws applicable to a Pet Passages business. You may wish to investigate these laws before buying a Pet Passages franchise.

## Required Licenses

You will be required to apply for and receive your License to Operate as a Crematory, Crematory Operator License, and DEC/EPA Air Facility Registration Certificate/Permit prior to opening and operating your Franchised Business.

## Licensees

As disclosed above, our affiliate, Pet Passages, Inc. was licensing the use of its proprietary software, websites and coaching to pet funeral homes and cremation businesses prior to offering us the exclusive right to sublicense the Marks and utilize the Marks in our System. New licenses are not being offered or sold.

There are currently 0 licensees with license agreements throughout the country. We nor any of our affiliates have any plans to market or sell new licenses.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Pet Passages Franchising, Inc. - Franchisor**

#### **Michael Harris: President since November, 2015**

Mr. Harris was employed by the Paul W. Harris Funeral Home as a funeral director from June, 1994 through November, 2016. He was also a founder and the daily operations manager for Pets at Peace Memorial & Cremation Services LLC from September, 2009 through November, 2016. He is currently the President of Pet Passages, Inc. and has been since its formation in August, 2011. Mr. Harris is currently our sole shareholder, director and officer and has been since December, 2016. Mr. Harris is also the President of MindyAnn, Inc. and has been since its formation in September, 2016. Mr. Harris is the President, Secretary, and Treasurer of Ellis Wallace Enterprise, Inc. and has been since its formation on August 16<sup>th</sup>, 2022.

#### **Andrea Harris: Vice President of Operations since September, 2021**

Andrea began as a Pet Funeral Director for MindyAnn, Inc. at its Ontario, New York location in June, 2018, and continues working in both its Ontario and Greece, New York locations. She is also currently the Vice President of Operations for Pet Passages Franchising, Inc., and has been since September, 2021.

## **ITEM 3. LITIGATION**

### **Litigation - Franchisor**

No litigation is required to be disclosed in this Item.

## **ITEM 4. BANKRUPTCY**

### **Bankruptcy - Franchisor**

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

## **ITEM 5. INITIAL FEES**

### **Franchise Fee.**

You must pay us an initial franchise fee in the amount of \$55,000.00 for a standard protected geographic territory along county lines, encompassing roughly 300,000 households. If Franchisee has elected to purchase any optional extra territories, then they will add an additional \$5,000 for each extra territory comprised of an additional county(ies) with an estimated 50,000 households to the initial franchise fee, up to a general maximum initial franchise fee of \$75,000 for a number of counties that is comprised of roughly 500,000 households (see Item 12 for more information on the protected territory). The number of households within the territory are an estimate, the territory itself will be a county or a number of counties, and will be negotiated by you and us. In rare circumstances, based mostly on geographic considerations, population density, demand for the territory, and ability to service the territory properly, Franchisor will grant a territory greater than 500,000 households. In such circumstances, an additional franchise fee will be charged to the Franchisee in the amount of \$5,000 for every 10,000 households above the 500,000 threshold. Portions of the initial franchise fee will be used to defray some of our costs and expenses for the

development and maintenance of the System and providing training to franchisees. The entire amount of the initial franchise fee is due in full at the time you execute the Franchise Agreement. The initial franchise fee is not refundable under any circumstances.

Estimated Initial Inventory Amount.

Pursuant to Section 8.3 of the Franchise Agreement, you are required to maintain a certain minimum level of inventory at your Location. We estimate that for one (1) franchise business, you will spend between a minimum of \$0 - \$20,000.00 on initial supplies of forms, corporate identification materials, and uniforms, and opening inventory needs for the first three months of operation, that you will purchase from Pet Passages Franchising, Inc. or other approved sources. Opening inventory reflects the cost of consumable inventory items such as remains bags, body bags, zip ties, cleaning products, chemicals, etc... necessary on opening day. At the time your Franchised Business opens, you must stock and display where applicable the initial inventory of products, accessories, equipment, and supplies required by us in the Operations Manual(s) or otherwise in writing. You must then stock and maintain all types of products in quantities sufficient to meet reasonably anticipated customer demand. The initial inventory costs are not refundable unless otherwise specified by the approved supplier, but any of our merchandise can be exchanged if defective.

Estimated Travel and Lodging Reimbursement.

As part of your initial training program, one of our trainers will provide on-site instruction at your franchised location for a period of three days. You are required to reimburse us for our trainer's travel and lodging expenses associated with said on-site training, which we estimate will be between \$500.00 \$6,000.00 this amount will vary depending on your franchised business's location. Some of the factors include, but are not limited to, the costs and availability of lodging in your area, flights and/or rental vehicles if applicable, and whether daily commuting to your franchised business location is reasonable. The reimbursement fee is not refundable under any circumstances.

**ITEM 6. OTHER FEES**

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Royalty Fees	6% Gross Sales	Payable on or before 10 <sup>th</sup> day of month for prior month's operations	Note 2
Local Advertising	A minimum of \$9,000 per year	As incurred	Note 3
Advertising Fund Fee	1% gross sales	Payable on or before 10 <sup>th</sup> day of month for prior month's operations	
Training Fee	\$3,500 for each staff member other than initial 2 trainees plus the reimbursement costs for air fare and lodging for Franchisor's representative for onsite training.	Additional trainees: Prior to training  Airfare/lodging: upon invoicing by Franchisor.	Note 4
Product Purchases	Varies	As incurred	Note 5
Transfer	½ of then current initial franchise fee	Before transfer	Note 6
Audit Fee	Actual cost of audit and all costs and expenses connectd with the inspection of books and records	Upon completion of audit	Note 7
Late Payment	Highest interest rate allowed by law of past due amount, and \$50 administrative fee.	Due upon demand	
Returned Check Fee/Insufficient Funds Fee	\$50 for each returned check	Due upon demand	
Replacement Copy of Operations Manual	\$5,000	As incurred	
Product or Supplier Evaluation	Varies	As incurred	Only if you request our approval of a new product or supplier.
Attorneys' Fees	Will vary with circumstances	As incurred	Note 8
Indemnification	Will vary with circumstances	As incurred	Note 9
Biannual Conference (if any)	Cost of the conference(s)	A minimum of thirty days prior to the conference	You are responsible for all travel, room and board, and salary expense. If we require you to attend a conference or other meeting, you may have to pay a fee.
Additional training due to failure to maintain standards	Will vary depending on circumstances	As incurred	Note 10
Counseling and Advisory Services	Will vary depending on circumstances	As incurred	Note 11
Software/Website License Fee	Currently \$100 per month (we reserve the right to increase or otherwise modify the software/website license fee at any time, including requiring you to pay a third-party vendor the fee directly)	On or before the 10 <sup>th</sup> of the month	Note 12

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Marketing Support Program Fee	Currently \$150 per month (we reserve the right to increase or otherwise modify the Marketing Support Program Fee at any time, including requiring you to pay a third-party vendor the fee directly)	On or before the 10th of the month	Note 13

**NOTES:**

- (1) Except as otherwise stated in the Notes below, all fees are imposed by and are payable to us. All fees are non-refundable. All fees are uniformly imposed on and collected from its franchisees unless a franchisee negotiates lessened royalty fees due to extenuating circumstances pertaining to its franchised location, upon execution of its franchise agreement.
- (2) "Gross Sales" for any period means the entire amount of revenue whether for cash, credit or otherwise, in respect of the operation of the Franchised Business. The performance of services or the sale of goods is considered "revenue" when services have been completed or goods provided so as to entitle the Franchisee to payment for those services or goods, whether or not payment occurs. Gross Sales will not include:
  - i) any government tax, provided the amount of the tax is added to the selling price, the amount is expressly charged to the customer, a specific record is made at the time of each sale of the amount of the tax, and the tax is paid over to the appropriate taxing authority; and
  - ii) receipts which arise from the disposition of damaged, obsolete or otherwise unusable fixed assets.
- (3) You are required to make local advertising expenditures as required by Article 13.7 of the Franchise Agreement. You determine the form and media, subject to our prior approval. Phone book listings do not count toward this requirement. You are also required to pay a contribution to the advertising funds as set forth in Article 6.3 of the Franchise Agreement.
- (4) The initial franchise fee covers our training costs for 2 principals or staff members. If we train more than 2 of your staff members, you must pay us the Training Fee for each such additional person. You are responsible for payment of all food, travel and lodging expenses incurred by you and your employees in attending the training program. See Item 11 of this Disclosure Document for additional information regarding the training program. In addition, you must reimburse us for travel and lodging expenses incurred by our representative in providing onsite opening assistance to you as part of your initial training.
- (5) You currently must buy urns, velvet pouches, paw print kits, other memorialization products, tags, boxes, return bags and other ancillary supplies and marketing materials only from us. This list is not exhaustive and is subject to change upon notification by Franchisor.
- (6) Due upon transfer of Franchise Agreement or controlling ownership interest in business entity franchisee. There will be no charge in limited circumstances where the franchise is transferred to a



spouse after death or total disability of franchisee, but we may pass along our costs of said transfer, including reasonable attorneys' fees.

- (7) The audit fee is payable only if we find, after an audit, that you have understated any amount due us by at least 5% for any monthly period, or the examination or audit is made necessary by your failure to furnish required information or reports to us in a timely manner.
- (8) If we are the prevailing party in any arbitration or legal proceeding in which we are adverse to you, we are entitled to recover our costs and reasonable attorneys' fees from you.
- (9) You must indemnify and hold us harmless for any liability to a third-party arising out of the acquisition of your franchise or the operation of your Franchised Business. You must represent and warrant that the execution of the Franchise Agreement will not violate any terms or conditions of pre-existing contracts or your organizational documents (e.g., Articles of Incorporation, Articles of Organization, Bylaws, Operating Agreement, etc.).
- (10) If we notify you in writing that you have failed to maintain standards at the store and fail to cure the failure within 10 days, we have the right to assign trainers to your store, and you have to reimburse us for the trainer's salaries, travel, living expenses, and other related expenses.
- (11) Normally, there is no fee for these services, which are provided by telephone or at our offices, unless you require unusual, extensive, or extraordinary assistance. If so, we have the right to charge you a reasonable fee.
- (12) Software/Website License Fee – This fee will be used by us to, among other things, improve search engine rankings and local internet exposure for the Pet Passages brand, software updates and improvements to our proprietary Secure Passages software, and creating and improving mobile apps to be utilized by franchisees and customers.
- (13) Marketing Support Program Fee – This fee will be used by us, among other things, to provide our Marketing Support Program to you. The Marketing Support Program will include, but is not limited to the following support, social media management, commercial advertisements, client reviews, business profile & technology updates, media mentions, small business recognition, event and trade

show support, and community presence and donations. This support is provided directly to you as the Franchisee to support your advertising & marketing efforts for your Franchised Location.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	AMOUNT (Note 1)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$55,000-\$75,000 (Note 2)	Lump Sum	Upon execution of Franchise Agreement	Us
Travel and Living Expenses (2 people while training)	\$250 to \$6,000	As incurred	During training	Airlines, hotels and restaurants
Travel and Lodging reimbursement	\$500 to \$6,000	Lump sum	Upon demand	Us
Equipment (including retort)  (Note 3)	\$0 to \$163,000	Lump sum or as arranged by seller or lessor	As arranged by seller or lessor	Approved Suppliers
Signage (Note 4)	\$500 to \$4,000	As arranged	As arranged	Approved Suppliers
Real Estate and Improvements, including build-out with walk-in coolers (Note 5)	\$5,000 to \$100,000	As incurred	As incurred	Landlord and vendors
Vehicle (Note 6)	\$0 to \$40,000	As arranged	As arranged	Supplier
Supplies/Inventory (Note 7)	a minimum of \$ 0 to \$25,000. Currently, the amount paid to the Franchisor for supplies/inventory is \$0.	As incurred	As incurred	Us/Approved Suppliers
Annual Insurance	\$3,000 to \$6,000	As arranged	As arranged	Insurance company
Professional Fees (Note 8)	\$1,000 to \$3,000	As arranged	As arranged	Attorneys & accountants
Additional Funds - 3 months (Note 9)	\$5,900 to \$20,900	As incurred	As incurred	Employees, suppliers and vendors
<b>Total Estimated Initial Investment</b>	\$71,150 to \$448,900			

## NOTES

- (1) We do not offer direct or indirect financing to Franchisees for any of these items. None of the fees payable to us are refundable. We are unaware of any fees payable to third party suppliers that are refundable.

- (2) The initial franchise fee is \$55,000.00 for a standard protected geographic territory along county lines encompassing roughly 300,000 households. If Franchisee has elected to purchase any optional extra territories, then they will pay an additional \$5,000 for each extra county(ies) comprised of an additional 50,000 households up to a general maximum initial franchise fee of \$75,000 for a protected area comprised of roughly 500,000 households. In rare circumstances, based mostly on geographic considerations, population density, demand for the territory, and ability to service the territory properly, Franchisor will grant a territory comprised of a number of counties with greater than 500,000 households. In such circumstances, an additional franchise fee will be charged to the Franchisee in the amount of \$5,000 for roughly every 10,000 households above the 500,000 threshold. Inventory
- (3) You must buy or lease various equipment including a retort, as required by the operations manual, for the operation of the Franchised Business. In some cases, you might already have some or all of the equipment from your existing business and, with our approval, may use it during the franchised business's start-up period. The costs to buy and install these items will vary according to local market conditions, the size of the Franchised Business and it is impossible to predict such costs with any degree of precision or accuracy.
- (4) The costs for office signs vary tremendously depending on size and type. In addition, variations in local sign ordinances make it impossible to predict such costs with any degree of precision or accuracy.
- (5) These figures presume that you will be leasing the premises and only represent rent for three months. We are unable to estimate the total cost purchasing suitable premises for your store or the amount of any down payment that would be required. Rent will vary depending upon the size, the premises, the site condition, its location, demand for the site, build-out requirements and construction or other allowances from the landlord, and the requirements of individual landlords. These figures are based upon our experience in Rochester, New York. These figures may vary considerably in other parts of the United States. Regardless of whether you lease or purchase a premises, a typical Pet Passages facility occupies approximately 2,500 – 3,000 square feet of space. The cost of leasehold improvements will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent, and the quality of improvements desired by you over and above our minimum requirements, landlord's cash contribution to the cost of the improvements, and the like.
- (6) You are required to purchase or lease, during the term of your franchise agreement, a silver Ford Transit Connect XL (for daily transfers) in the current body style, silver Chevrolet Express Cargo van, GMC Savannah cargo van, Ram ProMaster, Ram ProMaster City, or a Ford Transit Cargo Van with shelving conducive to securely transferring pets on longer hauls. See Franchise Agreement Section 9.23.
- (7) The cost range for your initial investment in Supplies/Inventory is between a minimum of \$0.00 - \$25,000.00. Depending on how much inventory/supplies you already possess and the amount you will need to obtain will determine the cost you will spend within this range. For example, if you already operate a pet funeral home and crematorium and are transitioning your existing business into a Pet Passages franchise location, your initial investment in Supplies/Inventory may be at the lower end of the cost range since you may already possess most of the necessary items. However, if you are just starting a brand new business under the Franchise System, your initial investment in

Supplies/Inventory will likely be at the higher end of the cost range since you will not already possess the necessary items.

- (8) We recommend that you retain an attorney to review the real estate lease and the franchise documents and to assist you in forming a corporation or other ownership entity. You may also retain an accountant for advice in establishing and operating your Franchised Business and filing necessary tax forms and returns. The estimates given are on an annual basis.
- (9) This figure represents your initial start up expenses over the first 3 months of operation. These expenses include payroll costs, but do not include any salary for you. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Franchised Business. The estimate of additional funds is based on an owner-operated business and is based on the recent experience of start-up franchisees. In general, you can expect to put additional cash into the business during at least the first 3 to 9 months, and sometimes longer.
- (10) You will have the option to participate in the VerticalVet program. VerticalVet operates as a Group Purchasing Organization (GPO) for veterinary practices. For a fee, VerticalVet will offer and advertise Pet Passages products and services to its member veterinary practices. Each Pet Passages franchised location will be the only pet funeral and cremation services provider advertised and offered to VerticalVet members within the geographic scope of that Pet Passages franchised location. You will be provided a copy of the most current information and terms for the VerticalVet Program by Franchisor, including your obligations under this program if you choose to participate. Such obligations may include, but are not limited to the requirement to pay an administrative fee, growth rebate, Practice Consultation Fee, late fees as applicable, and any other applicable fees. Such obligations will continue for as long as you choose to participate in VerticalVet program, and any obligations to pay fees will continue after termination until any amounts due are paid. Franchisor reserves the right to make changes to its agreement with VerticalVet without any notice to you, including but not limited to the amount of the administrative fee, the amount of the growth rebate, and the amount of the Practice Consultation Fee.
- (11) From time to time Franchisor may enter into referral relationships with group purchasing organizations, national veterinarian accounts, or other such referral sources for the benefit of the franchisees and the System (collectively "Referral Program(s)"). Upon a franchisee's choice to participate in any such Referral Program(s) franchisee agrees to be bound by terms and obligations of such Referral Program(s), including but not limited to, any fees or costs for such program.

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

To ensure a uniform image and uniform quality of products and services throughout the Pet Passages System, you must purchase all products, supplies, services, equipment, furnishings, merchandise, employee uniforms, goods, fixtures, inventory, and other items used, sold, displayed, or distributed or used in your Franchised Business in compliance with our standards and specifications contained in the Operations Manual or otherwise communicated to you by us in writing. We will notify you within 30 days of any changes to, or the establishment of, specifications, or approved or designated suppliers, or the revocation of the approval of existing designated or approved suppliers. This notice may be disseminated to you by various means, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, and similar means of communication. Of the total purchases that will be required to establish your Franchised Business, we estimate that nearly 75% of these purchases will be from approved or designated suppliers or will consist of items that must meet our specifications. Of the total purchases that will be required to operate your Franchised Business, we estimate

that nearly 95% of these purchases will be from approved or designated suppliers or will consist of items that must meet our specifications. Currently our approved suppliers are as follows: SimcoHR, Electronic Merchant Systems, Lawley, Insurance & Employee Benefits, The Hartford, Keller Manufacturing, Inc. Boss Laser Epilog Laser, Pet Passages, Inc., and us. An officer of the Franchisor owns an interest in Pet Passages, Inc., but no other franchisor officer owns an interest in any supplier other than the aforementioned. Currently, neither the Franchisor nor any affiliate derives any revenue, rebates or other material consideration from required purchases or leases.

**Appearance and Operations.** Your Pet Passages Location must meet our physical criteria and conform to our design and image requirements. These specifications are in the Operations Manual and promote visual uniformity of your Franchise business, which strengthens brand-name awareness among consumers. You must ensure that your Franchise business conforms to our store appearance and operating specifications at all times.

**Advertising.** Any advertising or marketing materials not prepared or previously approved by us must be submitted to us for approval at least one month prior to any publication or run date. All advertising and promotion must be factually accurate and must not detrimentally affect the Marks or the Pet Passages Franchise System. We may grant or withhold our approval of any advertising, marketing public relations or any promotional materials, in our sole discretion. We will provide you with written notification of our approval or disapproval within a reasonable time. If we do not notify you of our approval or disapproval within 14 days or of our receipt of the materials, the materials will be deemed not approved. We may decide to change or discontinue advertising, marketing, public relations or promotional materials previously approved, at any time and at our sole discretion. You must discontinue your use of any approved (or previously approved) advertising, marketing, public relations, or promotional materials within five days of your receipt of such request if asked to do so.

**Insurance.** You must obtain and maintain, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement. The types of insurance includes comprehensive general liability insurance with coverage for products liability, contractual liability, personal and advertising injury, fire damage, medical expenses, workers' compensation insurance, comprehensive crime and employee dishonesty insurance, business interruption insurance, personal property insurance. The minimum amount of insurance coverage, as set forth in the Franchise Agreement is as follows:

- a. employer's liability and workers' compensation insurance as designated by law;
- b. comprehensive general liability insurance covering the operation of the Franchised Business in an amount not less than \$1,000,000.00;
- c. umbrella policy in an amount not less than \$1,000,000.00;
- d. property coverage to the amount of the full insurable value of all of the Franchisee's property of every kind on an "all risks" basis, including coverage for conventional loss due an insured peril;
- e. errors and omissions insurance in an amount not less than \$1,000,000.00;
- f. business interruption insurance in the amount of the actual loss sustained;

- g. liability insurance covering malicious acts of the Franchisee and the agents and employees of the Franchisee, including acts of sexual harassment or assault, and other forms of abusive or improper conduct in an amount not less than \$100,000.00.
- h. owned and non-owned motor vehicle coverage in an amount not less than \$1,000,000.00; and
- i. personal injury coverage in an amount not less than \$3,000,000.

However, you may desire to or be required to obtain greater coverage by credit lending institutions or your landlord. The cost of your insurance will vary depending on the insurance carriers' charges, the terms of payment, and your insurance history.

For all insurance, you must include Pet Passages Franchising, Inc. as an additional named insured and loss payee (if applicable) as well as furnish us with proof of such coverage every twelve (12) months. Insurance fees are paid to an insurance agency, person, or entity chosen by you. See ITEM 7.

You are required to obtain a quote for the required insurance coverage from Lawley Insurance & Employee Benefits ("Lawley Insurance") prior to selecting an insurance carrier, however, you are not required to select Lawley Insurance as your insurance carrier.

**Purchasing Arrangements.** You must purchase all fixtures, furnishings, signs, equipment, inventory, uniforms, advertising materials, services and other supplies, products and materials required for the operation of the Franchise business (collectively the "Supplies") solely from suppliers that:

- (i) Demonstrate, to our continuing satisfaction, the ability to meet our standards, specifications and requirements for these items regarding quality, variety, service, safety and support;
- (ii) Possess acceptable quality controls and capacity to supply your needs promptly and reliably;
- (iii) Have a sound financial condition and business reputation;
- (iv) Supply these items to a sufficient number of Franchisees to enable us gain economies of scale that will allow us to offer economic value and potential savings to the Pet Passages Franchise network.
- (v) Monitor compliance by the supplier within our standards, specifications and requirements;
- (vi) Have been approved by us in writing for the sale of these items and not disapproved later.

We will notify you of the names of recommended suppliers through supplements to the Operations Manual(s) or otherwise in writing. We or an affiliated company may be the only recommended vendor for Supplies including our turnkey services and opening inventory and supplies. Franchisor and/or an affiliate may profit from your purchase of Supplies from either us or a supplier to you by:

- (i) Selling these items to you at a markup over our or an affiliate's cost of acquiring these items;
- (ii) Receiving rebates, commissions, marketing allowances or other payments from suppliers that supply us and/or you.

**Request for Supplier Approval.** If you wish to purchase any item from a supplier (manufacturer or distributor) we have not previously approved or an item that does not comply with our standards and specifications, you must first submit a written request for approval. We will establish a procedure for submitting such requests. We will require the proposed supplier to provide us with certain financial and operational information and other information regarding the supplier and the items to be approved. In addition, the proposed supplier must permit our representatives to inspect their facilities (i.e. business offices and/or manufacturing facilities, as applicable). Before we approve a supplier, we will evaluate the economic terms of a possible relationship and ensure that the proposed supplier meets our requirements.

We reserve the right, at our option, and at the proposed supplier's expense, to inspect or re-inspect the facilities, and materials of any supplier, at any time.

The proposed supplier or you must pay, in advance, a fee not to exceed the reasonable cost of evaluation, testing, and inspections we undertake. We will, within thirty (30) business days after we receive the completed request and after we complete any evaluation and inspection or testing, notify you in writing of our approval or disapproval of the proposed supplier or item. You must not offer for sale or sell any of the proposed supplier's products or any other product that does not meet our standards or specifications until you receive our written approval of the proposed supplier or item. Our failure to send you written notice by the end of the supplier evaluation signifies that we disapprove the proposed item and or supplier.

We may revoke our approval of particular goods or services, or of the supplier that supplies them, if we determine, in our sole discretion, that they no longer meet our standards or specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products after depletion of your current inventory and/or stop purchasing from the disapproved supplier. Any changes or additions to purchasing standards or procedures are made in writing through supplements to the Operations Manual(s) or other written guidelines. We may modify our specifications, recommended suppliers and purchasing procedures at our discretion and you must promptly conform to all changes at your sole expense. We may terminate your Franchise if you purchase or use unapproved products, or purchase approved Supplies, inventory and/or services from unapproved suppliers.

We may, but are not required to, negotiate purchase arrangements with suppliers (including price terms) for your benefit.

Our total revenue during the fiscal year 2023 was \$233,307, and we did not receive any revenue from Franchisee purchases from designated or approved suppliers within that year. No affiliate derived revenue in 2023 from franchisee required purchases or leases. Except as otherwise disclosed in this Item 8, you do not receive any material benefits for using designated, approved or recommended suppliers. There are no purchasing cooperatives although we reserve the right to establish one or more purchasing cooperatives in the future.



## ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Sections 5.1 & 5.2 Schedule 2	Item 11
b. Pre opening purchases/leases	Sections 5.3-5.5, 8.2, 8.3, 9.3, Schedule 2	Items 7, 8 & 11
c. Site development and other pre opening requirements	Sections 5.3, 9.3	Items 6, 7 & 11
d. Initial and ongoing training	Sections 7.2, 9.4-9.6	Items 6 & 11
e. Opening	Section 5.6	Item 11
f. Fees	Sections 6.1-6.7	Items 5 & 6
g. Compliance with standards and policies/Operating Manuals	Sections 8.4, 11.1-11.4, 16.1-16.2	Items 8 & 11
h. Trademarks and proprietary information	Sections 1.2, 10.1-10.4	Items 13 & 14
i. Restrictions on products/services offered	Section 8.2	Item 16
j. Client service requirements	Sections 8.4-8.5 & 9.24	Item 8
k. Territorial development	Section 8.10	Item 12
l. Ongoing product/service purchases	Section 8.2	Items 8 & 11
m. Maintenance, appearance and remodeling requirements	Sections 8.1, 8.6, 9.20	Item 11
n. Insurance	Sections 14.1-14.4	Item 7
o. Advertising	Sections 6.3, 13.1-13.8	Items 6, 7 & 11
p. Indemnification	Section 19.2	Items 6 & 13
q. Owner's participation/management/staffing	Sections 8.7-8.8	Items 11 & 15
r. Records/reports	Sections 12.1-12.8	Item 6
s. Evaluations/audits	Section 12.8	Items 6 & 11
t. Transfer	Sections 9.19, 15.1-15.9	Item 17
u. Renewal	Section 4.2	Item 17
v. Post termination obligations	Section 18.1	Item 17
w. Non competition covenants	Sections 9.17 Schedule 4	Item 17
x. Dispute resolution	Section 19.14	Item 17
y. Personal Guaranty	Sections 20.1-20.7 Schedule 3	Item 15 & 17
z. Confidential Information	Section 9.16 Schedule 4	Item 14 & 17

## ITEM 10. FINANCING

We do not currently offer direct or indirect financing, but reserve the right to do so in the future. We do not guarantee any of your notes, leases or other obligations.

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

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

Before you open your Franchised Business:

1. We will sublicense you the Marks necessary to commence your Franchised Business (Franchise Agreement, Section 10.2).
2. We will provide you with written specifications for certain of the goods and services you must purchase to establish your Franchised Business, as well as a written list of approved, designated and/or recommended suppliers for purposes of acquiring these goods and services (Franchise Agreement, Section 8.2). See Item 8 of this Disclosure Document for additional information regarding your purchase of these goods and services.
3. We will give you 1 copy of the Manual for the duration of the term of your Franchise Agreement (Franchise Agreement, 7.1). The Manual will contain, among other things, mandatory and suggested specifications, standards, and procedures pertaining to the goods and services you will provide in connection with your Franchised Business (Franchise Agreement, Section 11.1). The Manual is confidential and remains our property and you must return it to us upon the termination, expiration or transfer of your Franchise Agreement (Franchise Agreement, Section 11.2). We may modify the Manual at any time but the modification(s) will not alter your status and fundamental rights under the Franchise Agreement (Franchise Agreement, Section 11.4). Attached to this Disclosure Document as Exhibit "D" is a copy of the Table of Contents of the Manual, the Manual has a total number of 327 pages.
4. We may provide you with a set of specifications for a prototype Pet Passages location (to be modified to fit your Location), together with standard décor and interior layout and mandatory equipment lists. We must approve the construction plans and specifications. (See Franchise Agreement, Section 5.3). The Franchisor does not select the site or approve of the Location (See Franchise Agreement, Section 5.1).
5. After you sign the Franchise Agreement, but prior to your commencement of business operations, we will schedule initial training at Pet Passages headquarters or at another location chosen by us for Franchisee or two of its principals or managers. (Franchise Agreement, Sections 7.2 & 9.4). For additional information, see Section below entitled "Training Program."
6. We will send a representative to train you and/or your designated general managers for three days before, or including, the opening date of your Franchised Business. This part of training may include instruction in operating your Location, use of equipment, working with customers, opening and closing procedures and other administrative and operating details. (See Franchise Agreement, Article 9.4)
7. We will provide assistance with providing equipment, signs, fixtures, opening inventory and supplies by providing names of approved suppliers and written specifications for these items

(See Franchise Agreement Section 5.5). The Franchisor does not deliver or install any equipment, signs, or fixtures.

8. We endeavor to ascertain prices for products and services sold by the Franchisee which may optimize profits for the Franchisee, and advise the Franchisee, from time to time, concerning such suggested prices. (See Franchise Agreement Section 7.6).

During the operation of your Business:

1. We will hold periodic conferences to discuss system changes and issues affecting Pet Passages Franchisees (Franchise Agreement, Section 9.5). These conferences are optional. We may charge you a fee to attend, and you are responsible for payment of all food, travel and lodging expenses incurred by you and your employees in attending any of these conferences (Franchise Agreement, Section 9.5).
2. We will notify you of changes to, or the creation of, standards and specifications and approved or designated suppliers, or the termination of existing approved or designated suppliers (See Franchise Agreement 8.2).
3. We will maintain the Pet Passages website [www.national.petpassages.com](http://www.national.petpassages.com), [www.petpassages.com](http://www.petpassages.com) and create and maintain a website for each franchisee (See Franchise Agreement, Section 9.14).
4. We will provide you access to advertising and promotional materials we develop through administering the Advertising and Promotion Fund. (See Franchise Agreement, Article 13)
5. We will give you periodic consultation in response to your inquiries about specific administrative and operating questions you may have or (as we deem necessary) about (i) the methods and procedures to be utilized in the Franchised Business; (ii) advertising and promotion; (iii) specifications; (iv) bookkeeping and accounting; (v) purchasing and inventory control; (vi) inspections; and (vii) new developments and improvements to the Pet Passages Franchise System. At our discretion, we will decide how best to communicate our consultation and advice, whether by telephone, in writing, electronically or in person. The method we choose in your case may be different than methods we use for another Franchisee.
6. We will make goods and services available to you either directly or through approved suppliers. (See Franchise Agreement, Article 8.2)
7. In addition to our initial training program that we periodically repeat, we will occasionally offer advanced and refresher training at our headquarters or another location designated by us. For these additional training programs, we charge a reasonable per-person training fee. We may increase or decrease our training fees at any time. (See Franchise Agreement, Article 9.5)
8. We will review your requests to use or sell non-proprietary goods and/or services not already approved as long as the request procedure is followed. (See Franchise Agreement, Article 8.2)
9. We or our designee will periodically visit your Franchised Business to inspect your operations, observe and interview your employees and review your books and records

(including data stored on your computer systems) in order to verify your compliance with the Franchise Agreement and Operations Manual. (See Franchise Agreement, Article 9.12)

**Training Program.** We will provide a mandatory initial training program for up to two people (the “Initial Trainees”) for a period of approximately 10 1/2 days at Franchisor’s headquarters, or other designated location, and 3 days at the Franchised Location for opening assistance and training (Franchise Agreement, Sections 7.2 & 9.4). The Owner must be one of the Initial Trainees and must complete the training program to our satisfaction. Currently, we intend to offer the initial training program at least once every quarter. See Item 6 of this Disclosure Document for a discussion of costs and expenses associated with the initial training program.

### **TRAINING PROGRAM:**

The initial training program consists of the following:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Introductions & Background of Franchisor	1	0	Training facility in either Ontario, New York
Pet Loss 101	3	0	Training facility in either Ontario, New York
Pet Passages Business Model (What makes us different)	2	0	Training facility in either Ontario, New York
Review Pet Passages Recon for your market demographic	2	0	Training facility in either Ontario, New York
Sales, marketing, veterinary partners	2	0	Training facility in either Ontario, New York
Plan of Attack	1	0	Training facility in either Ontario, New York
Tour of Pet Passages Crematory	0	1	Training facility in either Ontario, New York
Introduction to Crematory Operations	1	0	Training facility in either Ontario, New York
Pet transfer training	0	4	Training facility in either Ontario, New York
Daily Business and Crematory Operations	4	50	Training facility in either Ontario, New York
Technology	4	2	Training facility in either Ontario, New York
Review/ Q&A	4	0	Training facility in either Ontario, New York
Accounting Practice	2	0	Training facility in either Ontario, New York
Daily operations	0	24	Franchised Business

Michael Harris, who is disclosed in Item 2 of this Disclosure Document, oversees the entire franchise training program. He is the founder of Pet Passages, Inc. and Pet Passages Franchising, Inc., and has been in the pet cremation industry since 2009. The other instructors include Candace Joosten who has been with us since 2015, Candice Banks who has been with us since 2017, Andrea Dunadee who has been

with us since 2017, Kim Pfromm who has been with us since 2020, Brian Dlugos who has been with us since 2020, and Julie Heberle who has been with us since 2021.

The training materials will consist of the Manual. You will not be charged an additional fee for any of the training materials. The Initial Trainees must complete the first week of the initial training program before your Location and Franchised Business is opened for business (Franchise Agreement, Section 9.4). The onsite portion of the initial training program will be completed during opening week of your Franchised Business. Your Location must be opened for business within 9 months after signing the Franchise Agreement. If you fail to open your business and successfully complete the initial training program within this period of time, we have the right to terminate your Franchise Agreement (Franchise Agreement, Section 5.6).

**Electronic Fund Transfer.** We may require you to pay all fees under the Franchise Agreement by automatic bank draft or other reasonable means necessary to ensure we receive payment of the fees. You will be required to comply with any of our payment instructions, including executing any forms that grant us the right to debit your account on a monthly basis for payment of royalty, advertising contributions, and other fees to be paid to us under the Franchise Agreement. (See Franchise Agreement, Article 6.5)

**Computer hardware and software.** You will be required to purchase and install a computerized cash collection and data processing system compatible with the required Pet Passages Secure Passages Software, which includes the point-of-sale software which you are required to use, and have internet access through a reputable internet service provider. The backbone of our system will be a computer network with your computer needs being specifically listed in the Manual. In general terms, any computer chosen should maintain at least a current version of Mozilla Firefox or Google Chrome, and could be a laptop or desk top computer with a cost as low as \$600. You will also need a tablet for each vehicle used in the business and tablets start at \$600 as well.

The maintenance, repair or upgrade requirements or the annual cost to you of any optional or required maintenance, support, upgrades or updates, hardware, computer network maintenance and other software upgrades are your responsibility and must be done in a timely manner. All maintenance, repair and upgrades to the Pet Passages Secure Passages Software will be provided to you as part of the monthly software/website license fee. We do not offer any additional computer maintenance repair, or upgrade services to our franchisees.

Quickbooks is the only authorized accounting software at this time.

We will publish the specifications (including the necessary components) into our Operations Manual(s). You will be expected to purchase and install the system as specified. We envision that we or a designated service provider will provide technical support for the system and we reserve the right to charge a fee for this support. You will be required to use the system, among other things, to post all product and service sales, keep inventory control, post sales tax, refunds, and credits, and maintain customer information. You will be required to maintain the system in good working order at all times, and to upgrade or update the system during the term of the Franchise Agreement as we may reasonably require in order to meet then current standards and specifications. There are no limitations on the frequency and cost of this obligation. If we require the system to be accessible by us via modem or otherwise, we will have the right at any time to poll your system to retrieve and compile information concerning your Franchised Business. In other words, we will have independent access to your sales information and data produced by your system.

**Advertising Fund.** We have established and administer the Advertising Fund described in Item 6 of this Disclosure Document for national and regional advertising campaigns (Franchise Agreement, Sections 6.3

and 13.3). Most of the advertising is designed for use in the print media, broadcast and Internet networks, out-of-home media and on select Internet sites.

You must pay us the Pet Passages Franchise Advertising and Promotion Fund fee described in Item 6 of this Disclosure Document which is 1% gross sales. We will contribute to the Advertising and Promotion Fund on the same basis as other Franchisees with respect to any Pet Passages locations owned and operated by us. Advertising and Promotion Fund fees will be kept in a separate account and revenues received will be accounted for separately from our other funds and will not be used to defray any of its general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Advertising and Promotion Fund and its national advertising programs (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, Internet, newspaper and other media programs and activities and employing advertising agencies to assist therewith, collecting and accounting for contributions to the Advertising and Promotion Fund, and paying for the preparation and distribution of financial statements). Except as described in this paragraph, we do not have any obligation to spend money on advertising in your protected territory.

None of the Advertising and Promotion Fund fees will be used for advertisements principally directed at selling additional franchises. All funds deposited into the Advertising and Promotion Fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Our administration of the Advertising and Promotion Fund is intended to maximize general public recognition and patronage of the Pet Passages System for the benefit of us and all Pet Passages franchisees and we will use our best efforts to apportion advertising to obtain the greatest benefit for all franchisees.

We will direct and have complete control and discretion over all advertising programs, including the creative concepts, materials, endorsements and media used for the programs, and the placement and allocation of the programs (Franchise Agreement, Section 13.6). All such advertising programs and materials developed by the Advertising and Promotion Fund remain our sole property. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Advertising and Promotion Fund. An unaudited financial statement of the operations of the Advertising and Promotion Fund will be prepared periodically and made available to you upon request (Franchise Agreement, Section 13.4). You may obtain a copy of this information at any time by sending us a written request. The amounts spent in connection with administering the Advertising and Promotion Fund for the fiscal year 2023 are described below.

<b>Advertising and Promotion Fund - Use of Funds</b>		
<b>Use</b>	<b>Amount</b>	<b>Percentage</b>
Production	\$14,750.00	100%
Media Placement	\$0	0%
Administrative Expenses	\$0	0%
Other (Tradeshow; Public Relations; Technology)	\$0	0%
<b>Total</b>	<b>\$14,750.00</b>	<b>100%</b>

### **Regional/Advertising Cooperative**

We have no requirement that you participate in any other advertising fund, except as specified above, or a local or regional advertising cooperative.

### **Local Advertising**

We require you to spend a minimum of \$9,000 per year on local advertising. We may provide you with marketing plans and materials, including newspaper layout, radio and television commercial tapes, and other promotional and marketing materials for your use in local advertising (Franchise Agreement, Articles 13). Alternatively, we may enter into relationships with approved or designated suppliers who will create advertising or marketing materials that may be purchased and utilized by Pet Passages Franchisees.

You will also have an opportunity to create advertising for your own use, provided that it complies with our established graphics standards and identifies you as an independently owned Pet Passages franchise and is approved by us (Franchise Agreement, Section 13.2). You must retain copies of all advertising material prepared by you and provide these copies to us upon our request. Any advertising that you conduct on the Internet must comply with the guidelines that we specify. See Item 7 of this Disclosure Document for additional information regarding advertising and marketing materials and the costs associated with such materials.

### **Marketing Director**

You are required to work with our Marketing Director and they will provide our Marketing Support Program to you. The Marketing Support Program will include, but is not limited to the following support, social media management, commercial advertisements, client reviews, business profile & technology updates, media mentions, small business recognition, event and trade show support, and community presence and donations. We require you to pay a Marketing Support Program Fee of \$150 per month, due on or before the 10<sup>th</sup> day of the month. This Marketing Support Program Fee does not count towards the yearly minimum you are required to spend on local advertising above. We reserve the right to increase or otherwise modify the marketing director fee at any time. The marketing director will provide these services to you, other franchisees, and the system as a whole.

### **Opening Requirements**

You may not begin operating your Franchised Business until the Initial Trainees have completed the initial training program, you have located and secured a Location and you have complied with your other pre-opening obligations (Franchise Agreement, Sections 9.4 & 9.3). We anticipate that a typical Pet Passages Franchisee will open his or her office within 5 to 7 months after execution of the Franchise Agreement. Some of the factors that may affect this time are identification of a suitable location, financing,



the extent to which an existing location must be upgraded or remodeled, whether you are converting an existing business or starting a new business, delayed installation of equipment and fixtures, completion of training, obtaining insurance, and complying with local laws and regulations. Unless we agree to the contrary, you must complete your initial training and your Franchised Business must be opened within 9 months after you sign the Franchise Agreement (Franchise Agreement, Section 5.6).

### **Site Selection**

The Franchisor does not select the site or approve of the Location (See Franchise Agreement, Section 5.1). Your failure to open within the 9 month period constitutes an event of default under your Franchise Agreement (Franchise Agreement, Section 17.1), the Franchisor may terminate your Franchise Agreement upon written notice to you and your initial franchise fee would be forfeited.

### **ITEM 12. TERRITORY**

You will receive the right to operate a Pet Passages Franchised Business at a Location within your protected territory. Your exclusive territory will be negotiated by you and us prior to your execution of the Franchise Agreement and specifically described in the Franchise Agreement, but the standard territory will be a geographical area along county lines encompassing approximately 300,000 households around the Location. The number of households within the protected territory are an estimate, the territory itself will be a county or a number of counties, and will be negotiated by you and us. You will have the opportunity to purchase additional space to include in your protected territory. In negotiating the protected territory, we may examine population density, demographics, and other market conditions. The size of the exclusive territory is not dependent upon achievement of a certain sales volume, market penetration, or any other contingency. As long as you are in compliance with the Franchise Agreement, we agree not to open company-owned locations or other channels of distribution within your territory, and we will not authorize anyone else to do so. We will not solicit business within your protected territory, but if a customer living within your territory visits another Pet Passages location (whether franchisee or company owned), outside your protected territory then said location will not reject the business. Likewise, we and other franchisees will accept online orders from customers living within your territory. Franchisor reserves the right to make online sales. You will operate your Pet Passages Franchised Business only from the Location, and you must receive our permission before you relocate. We will approve the relocation if the lease for the original Location should terminate without fault of you, or if the Location is destroyed or otherwise rendered unusable, or if, in our sole discretion, there is a change in the attributes of the Location sufficiently detrimental to warrant its relocation. We have not yet established a set of specific conditions or criteria under which we evaluate or approve other relocation requests, but reserve the right to do so at our sole discretion.

The Franchisor (on behalf of itself and its affiliates) reserves the right in its absolute discretion to operate and to grant others the right to operate, within the territory and elsewhere: i) facilities offering services and products under trade names and trademarks other than the Marks if such facilities are directly or indirectly acquired by the Franchisor or its affiliates or if the Franchisor or its affiliates have acquired directly or indirectly the rights and obligations of the Franchisor of such facilities. Such facilities may employ substantial portions of the System in their operations.

Currently, neither we, nor any affiliate of ours, grants any franchises that are authorized to use the Marks other than in the Pet Passages franchise system, although we reserve the right to establish another franchise system in the future. Similarly, neither we, nor any affiliate of ours, currently operates another franchise system or other channel of distribution that involves the sale of products or services similar to the products or services offered at a Pet Passages location. If we create another franchise system that involves

the sale of pet crematory services and related products and services under the Marks, we will comply with the territorial protections granted to any existing Pet Passages Franchisees.

Except as otherwise disclosed in this Disclosure Document, neither we, nor any affiliates of ours operate one or more Pet Passages location using the System and the Marks but we reserve the right to operate one or more such locations in the future so long as we comply with the territorial protections granted to the existing Pet Passages franchisees. We may license other affiliates to operate additional Pet Passages locations in the future. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises outside your protected territory.

### **ITEM 13. TRADEMARKS**

You are obligated to provide crematory services consistent with our high standards of ethics and conduct. You are required to use the service mark “Pet Passages” to identify your locations and services. The following federally registered trademarks have been issued to our affiliate Pet Passages, Inc.:

<b>MARK</b>	<b>REGISTRATION NUMBER</b>	<b>REGISTRATION DATE</b>	<b>DATE OF RENEWAL</b>
Pet Passages	5080545	November 15, 2016	November 15, 2026
Pet Passages (Design + Words)	5085399	November 22, 2016	November 22, 2026

All trademark registrations are on the Primary Register and all necessary affidavits regarding the above trademark have been filed. Pet Passages, Inc. has given us the exclusive right to sublicense the Marks and there are no other agreements that limit our right to use or sublicense the use of the marks.

We or our affiliates may apply for or adopt additional trademarks and those may be sublicensed to you during the term of the franchise relationship. We may also sublicense to you additional trademarks as created by us or our affiliates, whether registered or unregistered. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Pet Passages franchise or the products or services sold at your Franchised Business.

You must follow our rules when using the Marks. You cannot use the words “Pet Passages,” either alone or in conjunction with one or more other words, or any of our other Marks, as part of your corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Pet Passages name in connection with the sale of any product or service that is not previously authorized by us in writing.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think is appropriate. We may require your assistance, but you are not permitted to control any proceeding or litigation relating to the Marks. You must modify or discontinue the use of any Mark licensed to you if we are required to modify or discontinue use of the Mark as a result of litigation. If this happens, we do not have any liability or other obligation to you resulting from the modification or discontinuation of the use of the Mark. You must not directly or indirectly contest our right to the Marks.

As of the date of this Disclosure Document, there are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no pending infringements, oppositions or cancellations; and no pending material litigation involving any of the Marks. We do not know of any infringing uses that could materially affect

your use of the Marks. We make no representation regarding the enforceability of the Marks in any particular territory.

#### **ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

No patents are material to the franchise. You will receive for your use during the course of the Franchise Agreement the proprietary information contained within the Manual (which includes the Franchise training manual, and any other manuals prepared by us or on behalf of us) and other instructional and training materials. Although we have not filed an application for copyright registration for the Manual, it does claim a copyright to the Manual and further claims that the information contained in the Manual is proprietary. The Manual is described more fully in Item 11 of this Disclosure Document. We also own proprietary know-how in the form of operating methods, specifications, techniques, and information pertaining to the operation and marketing of a Pet Passages location and any products or merchandise that we have or may develop.

You are required to maintain the confidentiality of all of our proprietary materials and use them only in strict accordance with the terms of the Franchise Agreement and Manual. You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to act, but it will respond to this information as it deems appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving its proprietary information. There are no infringements that are known by us at this time.

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

Except in the case of special circumstances to be determined in the sole discretion of the Franchisor, at least one owner of the franchise must be directly involved in the operation, management and supervision of your Franchised Business (the “Owner”). The “Owner” is determined as follows: (i) if the Franchisee consists of a single individual, that individual will be the Owner; (ii) if the Franchisee consists of more than one individual, you must designate one of those individuals who will be the Owner; (iii) if the Franchisee is a corporation, limited liability company, or partnership, you must designate one of the individual owners, members or partners, as applicable, who will be the Owner. The Owner will be actively involved in the day-to-day management and operation of your Franchised Business. The Owner must successfully complete our initial training program. The Owner must also attend a “Owner” conference that we sponsor at least once every 2 years. You must pay all of your transportation, food and lodging costs while attending any such conferences.

If you are an entity, each person holding an ownership interest in you, and in some states, the spouses of each of the foregoing individuals, must execute a personal guaranty, the form of which is attached to the Franchise Agreement as Schedule 3.

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

You must conduct the business operated at your Location as required by the Operations Manual and the Franchise Agreement. We require that all goods and services offered in connection with your Franchised Business under the Marks be approved by us in advance. You must offer all goods and services that we require. We have the unrestricted right to change the goods and services that you are required to sell under the Marks at your Franchised Business at any time in our sole discretion, and you must comply with any such change. All products and services to be sold from or displayed at the Location will be purchased from us or our designated suppliers. You will comply with our requirements concerning the

introduction of any new or different products or service for sale. We will have the right without notice to enter your Location and remove and dispose of any product or service which does not meet our standards and specifications, or which was obtained from any source other than designated suppliers, without liability or accountability for such entry or disposal to you of any nature or kind.

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

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

FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	Term is for 10 years.
b. Renewal or extension of the term	Section 4.2	If you are in good standing, you can renew for 2 additional 10 year terms. If you fail to timely exercise your renewal option, this will be interpreted as an extension of the Initial Term from month to month governed by the current Franchise Agreement and we may cancel upon written notice.
c. Requirements for you to renew or extend	Section 4.2	You must do the following: give us written notice of your intent to renew at least 9 months before the end of the term; be in good standing; sign our then-current Franchise Agreement; sign a release; attend training; and pay a renewal fee. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Article 17	We can terminate only if you default.
g. “Cause” defined - curable defaults	Section 17.3	You have 30 days to cure any of the following defaults: (i) inappropriate action by an employee or agent of yours that adversely affects the System or us; (ii) you permit a continued violation of law in the operation of your business; (iii) you misuse the Marks; (iv) failure to assign interest of Owner upon death or incapacity; (v) you engage in business under a name confusingly similar to the Marks; (vi) failure to timely submit financial statements or other reports; (vii); failure to maintain standards or procedures with regard to the System, Location or equipment; or (viii) any other default under any agreement with us, other than defaults described below under “defaults which cannot be cured.”
h. “Cause” defined - non-curable defaults	Sections 17.1 and 17.2	The following defaults cannot be cured: (i) failure to establish initial Location within 9 months or maintain the Location throughout term; (ii) failure to complete pre-opening training; (iii) conviction of certain types of crimes or subjection to certain disciplinary proceedings; (iv) insolvency; (v) bankruptcy; (vi) unauthorized seizures; (vii) abandonment of Franchise; (viii) failure to pay us, our affiliate or supplier within 5 days after receipt of demand for payment; (ix) maintaining false books or submitting false reports or under reporting of 5% or more; (x) making of material misrepresentations; (xi) unauthorized transfers; (xii) unauthorized use of any Mark or violation of any confidentiality, non-disclosure, or non-solicitation covenant; (xii) two or more defaults in any 12 month period, even if cured; (xiv) termination of any other agreement between you and us or our affiliate based on your default.
i. Your obligations on termination/ non-renewal	Section 18.1	Obligations include complete deidentification, return of Manuals and materials bearing the Marks, and payment of amounts due (also see r, below).

FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	Section 15.1	No restriction on our right to assign, but we will remain liable for the performance of all of our obligations arising under the Franchise Agreement prior to the date of assignment.
k. “Transfer” by you – definition	Section 15.2	Includes transfer of contract or assets, or ownership change.
l. Our approval of transfer by you	Sections 15.3, 15.4 and 15.6	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an immediate family member, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 15.3	Transferee must meet our qualifications, successfully complete training, obtain all required licenses and permits, and execute a new Franchise Agreement for the remainder of the term. You must be current on all your payments and execute a general release and subordination agreement. We must approve the terms of the transfer. Landlord must consent to assignment of lease, if applicable.
n. Our right of first refusal to acquire your business	Section 15.5	We have the right to match any bona fide, arms-length offer for your business.
o. Our option to purchase your business	Section 19.5	We will have the option to purchase, at fair market value, the tangible assets of your business upon termination or non-renewal of the franchise agreement.
p. Your death or disability	Section 15.6	Any transfer, including by will or intestacy, requires our prior written consent. You will have 3 months to complete the transfer.
q. Non-competition covenants during the term of the franchise	Section 9.17	You will not solicit or compete with the business of Pet Passages within 65 miles of any Pet Passages Location.
r. Non-competition covenants after the franchise is terminated or expires	Section 9.17	For a 2 year period following the termination or non-renewal of franchise agreement, Franchisee will not solicit or compete with the business of Pet Passages within 65 miles of any Pet Passages Location.
s. Modification of the agreement	Section 22.1	Requires writing signed by both parties; other modifications primarily to comply with various states laws.
t. Integration/merger clause	Section 22.10	Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law). Other promises may not be enforceable.
u. Dispute resolution by arbitration	Section 19.14	Except for certain claims, all disputes must be arbitrated in New York State (except as otherwise disclosed in Exhibit “G” to this Disclosure Document).
v. Choice of forum	Section 22.8	All disputes must be litigated or arbitrated in Monroe County, New York State (except as otherwise disclosed in Exhibit “G” to this Disclosure Document). Suits involving the Marks or our proprietary information can be instituted in Rochester, New York. (subject to applicable state law).
w. Choice of Law	Section 22.7	New York law (except as otherwise disclosed in Exhibit “G” to this Disclosure Document). (subject to applicable state law).

## ITEM 18. PUBLIC FIGURES

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

## ITEM 19. EARNINGS CLAIMS

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.

As of December 31, 2023 there were 16 franchised and company owned Locations open and operating within 10 different states. Below is the gross annual revenue for 2022 and 2023 for all 9 locations that were open for a full 12 months in both 2022 and 2023, operating in New York, New Hampshire, Connecticut, Michigan, Florida, and Arkansas. Of these 9 locations, 2 are company or affiliate owned locations. Also provided is the dollar amount and percentage of annual revenue increase for these locations from 2022 to 2023, as well as the average annual revenue increase and percentage increase for these locations.

Store	2022 Gross Revenue	2023 Gross Revenue	% Difference	\$ Difference
1	\$245,204.00	\$280,558.00	15% Increase	\$35,354.00 Increase
2	\$284,253.00	\$344,680.00	21% Increase	\$60,427.00 Increase
3	\$503,444.00	\$635,500.00	26.5% Increase	\$132,056.00 Increase
4	\$444,834.00	\$660,209.00	48% Increase	\$215,374.00 Increase
5	\$193,116.00	\$220,008.00	14% Increase	\$26,892.00 Increase
6	\$234,239.00	\$239,450.00	2% Increase	\$5,211.00 Increase
7	\$184,876.00	\$236,513.00	28% Increase	\$51,637.00 Increase
8	\$130,435.00	\$176,678.00	36% Increase	\$46,243.00 Increase
9	\$137,495.00	\$220,662.00	61% Increase	\$83,167.00 Increase
<b>Average</b>	<b>\$261,988.44</b>	<b>\$303,837.56</b>	<b>27.94% Increase</b>	<b>\$72,929.00 Increase</b>

Some outlets have earned this amount. There is no assurance you'll do as well. If you rely on our figures, you must accept the risk of not doing as well. Your actual earnings may differ. We do not make any representations about a franchisee's future financial performance.



**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION****A. Information Regarding All Franchises**

Listed below are the status summaries for our franchise outlets.

<b>TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023 <sup>1</sup></b>				
<b>OUTLET TYPE</b>	<b>YEAR</b>	<b>OUTLETS AT THE START OF THE YEAR</b>	<b>OUTLETS AT THE END OF THE YEAR</b>	<b>NET CHANGE</b>
<b>FRANCHISED</b>	<b>2021</b>	<b>7</b>	<b>9</b>	<b>2</b>
	<b>2022</b>	<b>9</b>	<b>10</b>	<b>1</b>
	<b>2023</b>	<b>10</b>	<b>12</b>	<b>2</b>
<b>LICENSED</b>	<b>2021</b>	<b>12</b>	<b>0</b>	<b>(-12)</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>COMPANY-OWNED <sup>2</sup></b>	<b>2021</b>	<b>2</b>	<b>2</b>	<b>0</b>
	<b>2022</b>	<b>2</b>	<b>3</b>	<b>1</b>
	<b>2023</b>	<b>3</b>	<b>4</b>	<b>1</b>
<b>TOTAL OUTLETS</b>	<b>2021</b>	<b>21</b>	<b>11</b>	<b>(-10)</b>
	<b>2022</b>	<b>11</b>	<b>13</b>	<b>2</b>
	<b>2023</b>	<b>13</b>	<b>16</b>	<b>3</b>

1 Our fiscal year ends on December 31. All references to years in these tables refers to December 31<sup>st</sup> of that year.

2 Our affiliate MindyAnn, Inc. operates 3, and our affiliate Ellis Wallace Enterprises, Inc. operates 1 “company owned” outlets. All references to company owned outlets in these tables refers to Pet Passages Franchising, Inc. as well as any affiliates with common ownership with Pet Passages Franchising, Inc.

3 The outlets listed in this table only refer to outlets that are open on the relevant date. In addition to these outlets, we currently have signed franchise agreements for 2 additional outlets that have not opened as of December 31, 2023.

<b>TABLE 2: TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023</b>		
<b>STATE</b>	<b>YEAR</b>	<b>NUMBER OF TRANSFERS</b>
<b>TOTAL</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
<b>TABLE 2: TRANSFERS OF OUTLETS FROM LICENSEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023</b>		
<b>STATE</b>	<b>YEAR</b>	<b>NUMBER OF TRANSFERS</b>
<b>TOTAL</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**TABLE 3: STATUS OF LICENSED OUTLETS FOR YEARS 2021 TO 2023**  
(UNITED STATES ONLY)

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON- RENEWALS	REAIQURED BY FRANCHISOR	CEASED- OTHER	OUTLETS AT END OF YEAR
GA	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
IL	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
IA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
LA	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
MI	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NH	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NJ	2021	2	0	2	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NM	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NY	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
OH	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
PA	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
SC	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TX	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

	2023	0	0	0	0	0	0	0
UT	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TOTAL	2021	12	0	11	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

**TABLE 3: STATUS OF FRANCHISED FOR YEARS 2021 TO 2023****(UNITED STATES ONLY)**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON- RENEWALS	REAIQURED BY FRANCHISOR	CEASED- OTHER	OUTLETS AT END OF YEAR
AR	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
CT	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
FL	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MI	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
NC	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
NH	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NY	2021	2	1	0	0	0	0	3
	2022	3	0	1	0	0	0	2
	2023	2	0	0	0	0	0	2
OK	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
PA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
TOTAL	2021	7	2	0	0	0	0	9
	2022	9	2	1	0	0	0	10
	2023	10	2	0	0	0	0	12

**TABLE 4: STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee Or licensee	Outlets at End of Year
New York	2021	1	0	0	0	0	1
	2022	1	1	0	0	0	2
	2023	2	0	0	0	0	2
Louisiana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
Florida	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	2	0	0	0	0	2
	2022	2	1	0	0	0	3
	2023	3	1	0	0	0	4

**TABLE 5: PROJECTED OPENINGS AS OF DECEMBER 31, 2024  
(UNITED STATES ONLY)**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arkansas	0	1	0
Montana	0	0	0
Louisiana	0	0	0
Connecticut	0	1	0
New York	0	2	0
North Carolina	0	0	0
New Hampshire	0	1	0
Maryland	0	0	0
Florida	0	0	2
Texas	0	0	0
Totals	0	5	0

Listings of franchisees and licensees can be found in Exhibit “E”. A list of all current Pet Passages franchisees and licensees is attached to this Disclosure Document as Exhibit “E” (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2023. In addition, Exhibit “E” (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee or licensee 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 franchise system.

In some instances, current and former franchisees or licensees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees and Franchisees, but be aware that not all of them will be able to communicate with you.

Exhibit “H” (Part A) to this Disclosure Document lists, to the extent known, the names, addresses, telephone numbers, e-mail address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered that we have created, sponsored or endorsed. Exhibit “H” (Part B) to this Disclosure Document lists the independent franchisee organizations that have asked to be included in this Disclosure Document.

## **ITEM 21. FINANCIAL STATEMENTS**

The following financial statements of Pet Passages Franchising, Inc., for the periods stated, are included as a part of this Disclosure Document as Exhibit “F”: Audited Financial Statements and report of independent Certified Public Accountants, year ended December 31, 2023 and December 31, 2022 and December 31, 2021. Franchisor’s financial year end is December 31<sup>st</sup>.

## **ITEM 22. CONTRACTS**

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

### Exhibits to Disclosure Document

Exhibit “C” Page 44: Franchise Agreement

Exhibit “I” Page 177: Request for Consideration (Not applicable for use in the State of Maryland)

### Attachments to Franchise Agreement

- Schedule 1: Irrevocable Power of Attorney - Telephone
- Schedule 2: Irrevocable Power of Attorney - Lease
- Schedule 3: Form of Guarantee Agreement
- Schedule 4: Non-Disclosure Agreement
- Schedule 5: Territory

**ITEM 23. ACKNOWLEDGMENT OF RECEIPT**

Exhibit “J” to this Disclosure Document are detachable receipts. You are to sign both, and keep one copy and return the other copy to us.

EXHIBIT “A”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**State Agencies and Administrators**

*[See Attached]*

<p><b><u>CALIFORNIA</u></b>  Commissioner of Corporations  Department of Corporations  320 West 4<sup>th</sup> Street, #750  Los Angeles, CA 90013  (213) 576-7500  1-866-275-2677</p> <p><b><u>HAWAII</u></b>  (agent for service of process)  Commissioner of Securities  Business Registration Division  Securities Compliance  Department of Commerce and  Consumer Affairs  335 Merchant Street, Room 203  Honolulu, Hawaii 96813  (808) 586-2722</p> <p>(state administrator)  Business Registration Division  Securities Compliance  Department of Commerce and  Consumer Affairs  335 Merchant Street, Room 203  Honolulu, Hawaii 96813  (808) 586-2722</p> <p><b><u>ILLINOIS</u></b>  Illinois Attorney General  Chief, Franchise Division  500 South Second Street  Springfield, IL 62706  (217) 782-4465</p> <p><b><u>INDIANA</u></b>  (for service of process)  Secretary of State  201 State House  200 West Washington Street  Indianapolis, IN 46204  (317) 232-6531</p> <p>(state agency)  Secretary of State  Securities division  Room E-018  302 West Washington Street  Indianapolis, IN 46204  (317) 232-6681</p>	<p><b><u>MARYLAND</u></b>  (for service of process)  Securities Commissioner  Securities Division  200 St. Paul Place  Baltimore, Maryland 21202-2020  (410) 576-6360</p> <p>(state agency)  Office of the Attorney General  Securities Division  200 St. Paul Place  Baltimore, Maryland 21202-2020  (410) 576-6360</p> <p><b><u>MICHIGAN</u></b>  Franchise Administrator  Consumer Protection Division  670 Law Building  Lansing, MI 48913  (517) 373-7117</p> <p><b><u>MINNESOTA</u></b>  Department of Commerce  Director of Registration  85 Seventh Place East, #500  St. Paul, MN 55101-3165  (651) 296-4026</p> <p><b><u>NEW YORK</u></b>  (for service of process)  Secretary of State  New York State Department of  Corporations  99 Washington Avenue  Albany, New York 11231  (518) 474-4750</p> <p>(for other matters)  New York Department of Law  Investor Protection Bureau  28 Liberty St. 21<sup>st</sup> fl, NY, NY 10005  (212) 416-8222</p> <p><b><u>NORTH DAKOTA</u></b>  Securities Commissioner  Fifth Floor  600 East Boulevard  Bismarck, North Dakota 58505  (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b>  Department of Business Regulation  233 Richmond Street, #232  Providence, Rhode Island 02903  (401) 222-3048</p> <p><b><u>SOUTH DAKOTA</u></b>  Department of Revenue and Regulation  445 East Capitol  Pierre, South Dakota 57501-3185  (605) 773-4013</p> <p><b><u>VIRGINIA</u></b>  (for service of process)  Clerk of the State Corporation  Commission  1300 East Main Street  Richmond, Virginia 23219  (804) 371-9672</p> <p>(for other matters)  State Corporation Commission  Division of Securities and Retail  Franchising  1300 East Main Street, Ninth Floor  Richmond, VA 23219  (804) 371-9051</p> <p><b><u>WASHINGTON</u></b>  (for service of process)  Director Department of Financial  Institutions  Securities Division  150 Israel Road SW  Tumwater, WA 98501  (360) 902-8760</p> <p>(for other matters)  Department of Financial Institutions  Securities Division  150 Israel Road SW  Tumwater, WA 98501  (360) 902-8760</p> <p><b><u>WISCONSIN</u></b>  Department of Financial Institutions  Division of Securities  345 West Washington Avenue  4<sup>th</sup> Floor  Madison, WI 53703  (608) 266-3364</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



EXHIBIT “B”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**Agent for Service of Process – Pet Passages Franchising, Inc.**

The registered agent of the Franchisor authorized to receive service of process in the State of New York is the Secretary of State, 99 Washington Avenue, Albany, New York 12231.

The registered agent of the Franchisor authorized to receive service of process in the State of Maryland is the Securites Commissioner, 200 Saint Paul Place, Baltimore, Maryland 21202.

The registered agent of the Franchisor authorized to receive service of process in the state of Wisconsin is Department of Financial Institutions, Division of Securities, 345 West Washington Avenue, 4<sup>th</sup> Floor Madison, WI 53703.

The registered agent of the Franchisor authorized to receive service of process in the state of Virginia is Clerk of the State Corporation Commission, 1300 East Main Street, Richmond, Virginia 23219.

EXHIBIT “C”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**Franchise Agreement**

*[See Attached]*

## FRANCHISE AGREEMENT



Effective Date: \_\_\_\_\_, 20\_\_

## Table of Contents

### ARTICLE 1. - BACKGROUND

- 1.1 System
- 1.2 Marks
- 1.3 Distinguishing Characteristics
- 1.4 Desire to Obtain License
- 1.5 Franchisee's Independent Investigation
- 1.6 Need for Strict Conformity
- 1.7 Reliance by Franchisor

### ARTICLE 2. - INTERPRETATION

- 2.1 Principles of Interpretation
- 2.2 Good Faith
- 2.3 Incorporation of Recitals
- 2.4 Definitions
- 2.5 Severability
- 2.6 Headings
- 2.7 References
- 2.8 Deadlines
- 2.9 Benefit of Agreement
- 2.10 Schedules

### ARTICLE 3. - GRANT OF FRANCHISE

- 3.1 Grant of Franchise
- 3.2 Location
- 3.3 Exclusivity
- 3.4 Rights Reserved by Franchisor

### ARTICLE 4. - TERM AND RENEWAL

- 4.1 Initial Term
- 4.2 Renewal

### ARTICLE 5. - DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS

- 5.1 Selection and Lease of Location
- 5.2 Lease of Premises
- 5.3 Development of Location
- 5.4 Franchisee's Assistance
- 5.5 Equipment, Fixtures, Accessories and Signs
- 5.6 Opening for Business

### ARTICLE 6. - FEES

- 6.1 Franchise Fee
- 6.2 Royalty Fee
- 6.3 Advertising and Promotion Fund
- 6.4 Software/Website License Fee
- 6.5 Marketing Director Fee

- 6.6 Payment Due Date
- 6.7 Automatic Payment Procedure

#### ARTICLE 7. - ROLE OF THE FRANCHISOR

- 7.1 Loan of Manual
- 7.2 Training
- 7.3 Additional Information
- 7.4 On-site Visits
- 7.5 Bookkeeping Specifications
- 7.6 Suggested Prices
- 7.7 Excusal of Performance

#### ARTICLE 8. - IMAGE AND OPERATING STANDARDS

- 8.1 Condition and Appearance of the Location
- 8.2 Authorized Products and Services
- 8.3 Minimum Inventory
- 8.4 Standards of Service
- 8.5 Reputation
- 8.6 Interim Remodeling
- 8.7 Suggested Prices to be Charged by the Franchisee
- 8.8 Full-Time and Attention
- 8.9 Management of Location
- 8.10 Hours of Operation
- 8.11 Development of Market

#### ARTICLE 9. - GENERAL OBLIGATIONS OF THE FRANCHISEE

- 9.1 Need for Conformity
- 9.2 Responsibility for Service
- 9.3 Pre-Opening Requirements
- 9.4 Initial Training
- 9.5 Ongoing Training
- 9.6 Hiring and Training of Employees by the Franchisee
- 9.7 Payment of Taxes and Indebtedness
- 9.8 Dispute Regarding Taxes or Indebtedness
- 9.9 Compliance with Laws
- 9.10 Duty to Notify
- 9.11 Materials
- 9.12 Inspection of Premises
- 9.13 Communications Equipment
- 9.14 Website
- 9.15 Maintenance of Equipment
- 9.16 Confidential Information
- 9.17 Non-Solicitation and Non-Competition
- 9.18 Organizational Documents
- 9.19 Transfer and Issuance of Securities
- 9.20 Cleanliness

- 9.21 Use of Name, etc.
- 9.22 Surveillance
- 9.23 Company Vehicle
- 9.24 VerticalVet Program
- 9.25 Participation in Referral Programs
- 9.26 Other Obligations

#### ARTICLE 10. - TRADE MARKS, TRADE NAMES AND/OR SERVICE MARKS

- 10.1 Grant of License
- 10.2 Conditions for Use
- 10.3 Notice of Litigation
- 10.4 Acknowledgement

#### ARTICLE 11. - MANUAL

- 11.1 Compliance with Manual
- 11.2 Confidentiality of Manual
- 11.3 Franchisor's Property
- 11.4 Revisions

#### ARTICLE 12. - ACCOUNTING AND REPORTING

- 12.1 Use of Designated Accounting System
- 12.2 On-Line Access
- 12.3 Maintenance of Records
- 12.4 Failure to Maintain Proper Records
- 12.5 Reports and Financial Information
- 12.6 Additional Information
- 12.7 Enquiry by the Franchisor
- 12.8 Inspection

#### ARTICLE 13. - ADVERTISING

- 13.1 Advertising
- 13.2 Submission and Approval of Advertising
- 13.3 Advertising and Promotion Fund
- 13.4 Use of Funds by Franchisor
- 13.5 Termination of Fund
- 13.6 Administration of Fund
- 13.7 Advertising Directed by the Franchisee

#### ARTICLE 14. - INSURANCE

- 14.1 Policies to be Obtained
- 14.2 Scope of Coverage
- 14.3 Franchisor's Option to Obtain Insurance
- 14.4 Franchisee to Report Claims

#### ARTICLE 15. - TRANSFER OF INTEREST

- 15.1 Transfer by the Franchisor

- 15.2 Transfer by the Franchisee
- 15.3 Pre-Conditions to Transfer
- 15.4 Transfer to Holding Corporation, etc.
- 15.5 Franchisor's Right of First Refusal
- 15.6 Transfer Upon Death or Incapacity
- 15.7 Non-Waiver of Claims
- 15.8 Reasonableness
- 15.9 Operation of the Franchised Business by the Franchisor

#### ARTICLE 16. - CHANGES AND MODIFICATIONS

- 16.1 Franchisor's Right to Modify System, etc.
- 16.2 Scope of Change or Modification

#### ARTICLE 17. - DEFAULT AND TERMINATION

- 17.1 Early Termination
- 17.2 Default with No Opportunity to Cure
- 17.3 Default With Thirty (30) Day Opportunity to Cure

#### ARTICLE 18. - FRANCHISEE'S OBLIGATIONS UPON TERMINATION

- 18.1 Franchisee's Obligations Upon Termination

#### ARTICLE 19. - ADDITIONAL REMEDIES

- 19.1 Remedies
- 19.2 Indemnification of the Franchisor
- 19.3 Joint and Several Liability
- 19.4 Franchisor May Cure Default
- 19.5 Franchisor's Option to Purchase
- 19.6 Right of Entry
- 19.7 Injunctive Relief
- 19.8 Setoff by the Franchisor
- 19.9 No Setoff by Franchisee
- 19.10 Power of Attorney
- 19.11 Charges for Late and N.S.F. Payments
- 19.12 Security to the Franchisor
- 19.13 Legal Fees
- 19.14 Arbitration

#### ARTICLE 20. - GUARANTEE

- 20.1 Guarantee and Indemnity
- 20.2 Waiver of Rights to Proceed
- 20.3 Any Dealings Binding on Guarantor(s)
- 20.4 Settlement Binding on Guarantor(s)
- 20.5 Bankruptcy of the Franchisee
- 20.6 Guarantor's Covenants Binding
- 20.7 Guarantor(s) to be Bound

## ARTICLE 21. - STATUS OF PARTIES

- 21.1 Independent Contractor
- 21.2 Holding Out to Public
- 21.3 No Liability
- 21.4 Identification

## ARTICLE 22. - GENERAL PROVISIONS

- 22.1 Amendments
- 22.2 Further Assurances
- 22.3 Notice
- 22.4 Written Consent
- 22.5 No Waiver
- 22.6 Uncontrollable Circumstances
- 22.7 Governing Law
- 22.8 Jurisdiction and Venue
- 22.9 Counterparts
- 22.10 Entire Agreement
- 22.11 Disclaimer
- 22.12 Investigation and Voluntary Agreement
- 22.13 Language Clause
- 22.14 Date of Execution

- Schedule 1: Irrevocable Power of Attorney - Telephone
- Schedule 2: Irrevocable Power of Attorney - Lease
- Schedule 3: Form of Guarantee Agreement
- Schedule 4: Non-Disclosure Agreement
- Schedule 5: Territory



**Pet Passages Franchising, Inc.**  
**(the "Franchisor")**

**- and -**

\_\_\_\_\_  
**(the "Franchisee")**

**- and -**

\_\_\_\_\_,

**- and -**

\_\_\_\_\_,

**(collectively, the "Guarantors")**

**THIS FRANCHISE AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date"), by and between Pet Passages Franchising, Inc., a New York corporation with its principal office at 348 State Route 104, Ontario New York 14519 ("Franchisor"), and \_\_\_\_\_, a \_\_\_\_\_ with (its principal office) (his/her residence) at \_\_\_\_\_ ("Franchisee").**

## **ARTICLE 1 - BACKGROUND**

## **1.1 System**

As the result of a significant expenditure of time, skill, effort and money, the Franchisor has developed and owns a unique and proprietary system relating to the establishment, development and operation of facilities offering pet cremation and memorialization products and services at wholesale and retail to veterinarians, pet hospitals, humane societies and other businesses, and to individual families mourning the loss of their pets (the "System"). The distinguishing features of the System include, but are not limited to, use of Secure Passages, a pet identification, tracking and chain of custody system designed to guarantee the pet owner receives their pet's remains, Pet Passages pet cremation software (PCS), and Pet Tales, a leading on-line pet obituary system to honor and memorialize deceased pets.

## **1.2 Marks**

In connection with its business of licensing and regulating Pet Passages franchisees, the Franchisor has developed, used and continues to use and control the use of certain proprietary interests, trademarks, service marks and trade names, including Pet Passages® which is a service registered with the United States Patent and Trademark Office, to identify the source of goods and services marketed under that trademark to the public and to represent to the public high and uniform standards of quality and service.

## **1.3 Distinguishing Characteristics**

The distinguishing characteristics of the System include, without limitation, unique methods, technical assistance and training in the operation, management and promotion of the Franchised Business, sales and marketing systems, inventory control methods, financial management tools, specialized reporting, bookkeeping and accounting methods, advertising and promotional programs and the use of copyrighted materials written and produced by the Franchisor, all of which may be changed, improved and further developed by the Franchisor.

## **1.4 Desire to Obtain License**

The Franchisee desires to obtain a license to use the Marks and System in connection with the operation of a Pet Passages franchise in accordance with the terms of this Agreement and the Manual and at the Location and within the Territory specified in this Agreement.

## **1.5 Franchisee's Independent Investigation**

The Franchisee expressly acknowledges that it is entering into this Agreement after having made an independent investigation of the Franchisor's operations and the Franchised Business and is not relying upon any representation as to the profits and/or sales volumes that the Franchisee might be expected to realize, nor upon any other statement, promise or representation whatsoever which is not contained in this Agreement. The Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by a lawyer or professional advisor of its own choosing.

## **1.6 Need for Strict Conformity**

The Franchisee understands and acknowledges the importance of the Franchisor's uniformly high standards of quality and service and the necessity of operating the Franchised Business in strict conformity with the Franchisor's standards and specifications.

## **1.7 Reliance by Franchisor**

The Franchisor has agreed to enter into this Agreement with the Franchisee on the basis of the information provided to the Franchisor by the Franchisee, and in reliance upon the Franchisee's representation that he, she or it will fully and faithfully honor and perform all of the obligations of the Franchisee contained in this Agreement for the entire Term of this Agreement.

## **ARTICLE 2 - INTERPRETATION**

### **2.1 Principles of Interpretation**

The Franchisee acknowledges that the nature of franchising is such the Franchisor has responsibilities not only to the Franchisee but also to all other Pet Passages franchisees and to the Franchisor's corporate stores, customers, employees and shareholders. The Franchisee understands that those responsibilities may sometimes conflict or be inconsistent. The Franchisee also acknowledges that the Franchisor has the right to act in its own best interest which may sometimes conflict or be inconsistent with the Franchisee's best interests.

### **2.2 Good Faith**

Where any provision of this Agreement permits the Franchisor to do any act or not to do any act on the basis of its discretion, opinion or judgment, the Franchisor agrees to deal fairly and in good faith with the Franchisee in deciding to do or not to do any such act.

### **2.3 Incorporation of Recitals**

The recitals of fact and representations set out in Article 1 are true and are incorporated in the body of this Agreement by reference.

### **2.4 Definitions**

In this Agreement, the following words will have the meaning set out beside them.

a. "Agreement" means this agreement and any amendments made to it by the parties in accordance with the terms of this agreement.

b. "Effective Date" means, for purposes of the commencement date of this Agreement, the earlier of:

i) the first day of the month in which this Agreement is signed by the Franchisor and the Franchisee;

ii) the first day of the month of training of the Franchisee pursuant to this Agreement; or

iii) the first day of the month of the operation of the Franchised Business.

c. "Franchised Business" means the Pet Passages franchise operation of the Franchisee carried on by the Franchisee at the Location pursuant to this Agreement.

d. "Franchisee" means \_\_\_\_\_ and any successor individual(s), partnership(s) or corporation(s) which \_\_\_\_\_ may result from a reorganization, amalgamation or continuance of the Franchisee and any assignee to which an approved assignment of this Agreement is made.

e. "Gross Sales" for any period means the entire amount of revenue whether for cash, credit or otherwise, in respect of the operation of the Franchised Business and all other receipts whatsoever from all business conducted upon or originating from the Location. The performance of services or the sale of goods is considered "revenue" when services have been completed or goods provided so as to entitle the Franchisee to payment for those services or goods, whether or not payment occurs. Gross Sales will not include:

i) any government tax, provided the amount of the tax is added to the selling price, the amount is expressly charged to the customer, a specific record is made at the time of each sale of the amount of the tax, and the tax is paid over to the appropriate taxing authority;

ii) receipts which arise from the disposition of damaged, obsolete or otherwise unusable fixed assets; and

f. "Incapacity" means that the person to whom such term is applied is unable to perform his normal duties within the Franchised Business for forty-five (45) days in any ninety (90) day period during the term of this Agreement.

g. "Interest Rate" means the highest rate allowed by law.

h. "Location" means the business premises described in Section 5.1 or any alternate location established in accordance with Section 3.2.

i. "Manual" means any rules of operation, operations manuals, policy manuals, video tapes, software, pamphlets, memoranda, directives, instructions and other materials prepared by or on behalf of the Franchisor (whether in written, machine readable or any other form) as such materials may be added to, deleted or otherwise modified by the Franchisor from time to time.

j. "Marks" means all trademarks, trade names, service marks design marks and other commercial symbols that the Franchisor may designate from time to time for use in the System, whether or not registered, including but not limited to "Pet Passages".

k. "Royalty Fee" has the meaning set out in Section 6.2.

l. "Territory" means the protected area surrounding the Location, as described on Schedule 5.

## **2.5 Severability**

Except as expressly provided to the contrary in this Agreement, each section, part, term and/or provision of this Agreement will be considered severable and fully-enforceable. If for any reason, any part of this Agreement is determined to be invalid, contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, it will not impair the operation of, or have any other effect upon, any other part of this Agreement as may remain otherwise intelligible, and that part will continue to be given full force and effect and bind the parties. The court may modify or amend an otherwise unenforceable or invalid provision of this Agreement to render it enforceable to the maximum extent permitted by law, but if not practicable, then the invalid part or parts will not be considered to be a part of this Agreement.

## **2.6 Headings**

All headings in this Agreement are intended solely for the convenience of the parties, and no heading will be considered to affect the meaning or interpretation of any part of this Agreement.

## **2.7 References**

All references in this Agreement to the masculine, neuter or singular will be interpreted to include the masculine, feminine, neuter or plural, where applicable.

## **2.8 Deadlines**

The parties agree that the deadlines set out in this Agreement will be strictly enforced.

## **2.9 Benefit of Agreement**

Nothing in this Agreement is intended, nor will be considered, to confer upon any person or legal entity other than the parties and those persons expressly indicated to be entitled to rights or remedies under this Agreement. This Agreement is available for the benefit of, and is binding upon, the heirs, successors, personal legal representatives and permitted assigns of the parties. The Franchisor will be considered a third-party beneficiary of any agreement entered into between the Franchisee and its employees, agents, suppliers and independent contractors.

## **2.10 Schedules**

The following schedule is attached to and incorporated in this Agreement by reference and is considered to be a part of this Agreement. Even though this schedule is considered a part of this Agreement, the schedule has been signed by the parties and is an independent and binding agreement in accordance with its terms.

**Schedule 1: Power of Attorney – Telephone**

**Schedule 2: Power of Attorney – Lease**

**Schedule 3: Form of Guarantee Agreement**

**Schedule 4: Non-Disclosure Agreement**

**Schedule 5: Territory**

## **ARTICLE 3 - GRANT OF FRANCHISE**

### **3.1 Grant of Franchise**

Subject to all the terms and conditions of this Agreement, the Franchisor grants to the Franchisee, and the Franchisee accepts, a license to use the Marks and the System in the operation by the Franchisee of one Franchised Business at the Location.

### **3.2 Location**

The Franchisee will operate the Franchised Business only at the Location. During the term and any renewal of this Agreement, the Location is to be used exclusively by the Franchisee and solely for the purpose permitted by this Agreement or other ancillary purpose as permitted by Franchisor in writing. Prior to the termination or expiration of the license granted under this Agreement, if the Franchisee's lease for the Location should terminate without fault of the Franchisee, or if the Location should be destroyed, condemned or otherwise rendered unusable for the purposes of this Agreement, or if the Location should be expropriated or the Franchisee otherwise loses possession of the Location without fault on its part, or, if in the judgment of the Franchisor, there is a change in the character or attributes of the Location sufficiently detrimental to warrant its relocation, the Franchisee will be entitled to relocate the Franchised Business to another location within the Territory, acceptable to the Franchisor, provided that:

- a. the Franchisor has first given its written consent to such relocation and to the new location;
- b. the new location will be developed by the Franchisee in the manner described in this Agreement or otherwise agreed by the Franchisor and the Franchisee, solely at the Franchisee's cost;

c. the Franchisee is not in default of the terms of this Agreement or any other agreement between the Franchisor and the Franchisee;

d. the Franchisee pays to the Franchisor its full costs (including legal fees) of such relocation;

e. the new location would not materially negatively impact the revenues of any adjoining Pet Passages location; and

f. the Franchisee has obtained a release from the landlord of the former Location and such other persons as it may reasonably require.

### **3.3 Exclusivity**

For so long as the Franchisee is not in default under this Agreement, the Franchisor agrees not to operate or license any other person to operate a Pet Passages franchise location within the Territory. The Franchisee acknowledges and agrees that Pet Passages franchisees may be permitted to relocate, under certain circumstances and with the Franchisor's prior written consent, to another location within their Territory. The Franchisee's original Location will be the point from which the Territory is measured at all times during the term or any renewal of this Agreement, notwithstanding any permitted relocation(s) by the Franchisee.

### **3.4 Rights Reserved by Franchisor**

The Franchisor (on behalf of itself and its affiliates) reserves the right in its absolute discretion to operate and to grant others the right to operate, within the Territory and elsewhere, facilities, which may employ substantial portions of the System in their operations, offering pet funeral and cremation services and products under trade names and trademarks other than the Marks if such facilities are directly or indirectly acquired by the Franchisor or its affiliates or if the Franchisor or its affiliates have acquired directly or indirectly the rights and obligations of the franchisor of such facilities.

## **ARTICLE 4 - TERM AND RENEWAL**

### **4.1 Initial Term**

The term of this Agreement is ten (10) years commencing on the day on which this Agreement is signed by the Franchisor and the Franchisee.

### **4.2 Renewal**

The Franchisee may renew the license granted under this Agreement for two (2) additional ten (10) year periods, subject to the following conditions, all of which must be met prior to renewal.

a. The Franchisee will give to the Franchisor written notice of its election to renew this Agreement not less than nine (9) months prior to the end of the initial term of this Agreement.

b. At least six (6) months prior to the expiration of the initial term, or first renewal term (as applicable) of this Agreement, the Franchisor will review all aspects of the Franchised Business and give notice of all required modifications and/or renovations to the Location and to the Franchised Business necessary to comply with the then-current standards and image for franchisees of the System operating within the Franchisee's market area. If the Franchisee elects to renew this Agreement, the Franchisee will complete, at the Franchisee's own expense and to the Franchisor's satisfaction, all required modifications, renovations, alterations, refurbishment, remodeling and redecoration as well as and implement any new methods, programs, modifications and techniques required by the Franchisor's notice no later than three (3) months prior to expiration of the initial term or first renewal term (as applicable) of this Agreement.

c. The Franchisee will not be in default of any provision of this Agreement or any other agreement between the Franchisee and the Franchisor and will have substantially complied with all of the terms and conditions of such agreements.

d. The Franchisee (and, if the Franchisee is a corporation, its shareholders, directors and officers and, if the Franchisee is a partnership, all of its partners) will have satisfied all monetary obligations owed by the Franchisee to the Franchisor on a timely basis throughout the term of this Agreement.

e. At the option of the Franchisor, the Franchisee will execute a new franchise agreement in the form being used by the Franchisor with new franchisees of the System or with other renewing franchisees, which may contain terms and conditions substantially different than contained in this and such other documents and agreements as are then customarily used by the Franchisor in the granting of franchises. If the Franchisor elects not to execute a new franchise agreement with the Franchisee, all of the provisions contained in this Agreement in effect immediately prior to the commencement of the applicable Renewal Term will remain in force during the Renewal Term (except for any further right of renewal beyond the two (2) renewal terms provided in this Agreement).

f. The Franchisee (and, if the Franchisee is a corporation, its shareholders, directors and officers, if the Franchisee is a partnership all of its partners) will execute a general release in a form designated by the Franchisor, of any and all claims against the Franchisor and its subsidiaries and their respective officers, directors, agents and employees.

g. The Franchisee will provide the Franchisor with a copy of the lease for the Location and such other documents and evidence reasonably requested by the Franchisor to



confirm that the Franchisee is not in default of any provision of the lease for the Location and has the right to use and remain in possession of the Location to the end of the renewal term.

h. The Franchisee will pay a training, administrative and transfer fee equal to one half (1/2) of the then current Franchise Fee.

In the event that any of the above conditions for renewal have not been met, the Franchisor will have no obligation to renew this Agreement.

## **ARTICLE 5 - DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS**

### **5.1 Selection and Lease of Location**

Following execution of this Agreement by the parties, the Franchisee will notify the Franchisor in writing of a proposed Location for the Franchised Business. The proposed Location does not require Franchisor approval, but the terms and conditions of any agreement to lease the proposed Location will require the prior approval of the Franchisor as set forth below. It is Franchisee's responsibility to ensure the Location is properly zoned for the Franchised Business or Franchisee obtains a special use permit or equivalent to operate the Franchised Business at the Location prior to opening for business.

### **5.2 Lease of Premises**

If the Franchisee leases the Premises, the lease will be subject to the Franchisor's prior approval and will have a term or options to renew which in total are equal to or greater than the term of this Agreement and will provide that:

a. on termination of this Agreement, for any reason provided for in this Agreement, the Franchisor or its designee will have the option for 30 days to assume the Franchisee's remaining lease obligations without accruing any liability regarding the lease prior to the effective date of any assignment, or the Franchisor will have the right to execute a new lease for the remaining term on same terms and conditions;

b. copies of all notices of default under the lease will be sent to the Franchisor;

c. in the event of the Franchisee's default under the lease, the Franchisor or its designee will have an opportunity to cure such default and assume the Franchisee's remaining obligations under the lease, but will not have any obligation to do so; and

d. all signs, advertising, logos or other forms or insignia pertaining to the System must be removed from the Premises demised under the lease in the event that neither the Franchisee nor the Franchisor or its designee is the tenant under the lease upon termination of this Agreement.

e. once executed, the Franchisee shall provide to Franchisor a fully executed copy of the lease agreement. Franchisor approval does not constitute a representation or warranty that the

Location will be profitable or that franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the terms adhere to Franchisor's basic requirements and conform to this Agreement. Franchisee agrees that approval or disapproval of any proposed Location will not impose any liability or obligation on Franchisor; and

f. if a lease for any actual location expires or is not renewed, Franchisee agrees to secure another location within ninety (90) days after the expiration of the prior lease, subject to Franchisor approval. Upon relocation of the Franchised Business, Franchisee must refurbish, redecorate and re-equip the location in accordance with Franchisor's then current standards and specifications, and in accordance with the System within ninety (90) days thereafter.

### **5.3 Development of Location**

The Franchisor will provide to the Franchisee suggested layouts and specifications for the Franchised Business at the Location, including suggestions for dimensions, design, interior layout, building materials, equipment, signs and color scheme and will provide such advice as may be reasonably necessary in the circumstances. The Franchisee agrees to do or cause to be done the following at its sole cost and expense:

a. prepare all plans and specifications necessary to construct the leasehold improvements to the Location in accordance with all applicable laws and lease requirements and in accordance with the Manual;

b. obtain all required building, utility, sign, health, sanitation and business permits and licenses and other required permits and licenses;

c. construct all leasehold improvements to the Location, all in accordance with the lease and the Franchisor's standards of design, color scheme, layout and materials;

d. purchase or lease all fixtures, equipment and signs required for the Location as specified by the lease or the Franchisor.

### **5.4 Franchisee's Assistance**

The Franchisee agrees to promptly execute and deliver to the Franchisor all instruments and documents necessary in the reasonable judgment of the Franchisor to facilitate development or purchase of the Location as provided in this Agreement, including without limitation, purchase orders, construction contracts, disbursement authorizations and powers of attorney.

### **5.5 Equipment, Fixtures, Accessories and Signs**

The Franchisee agrees to use in the operation of the Location only those brands and models of equipment that the Franchisor has approved for Pet Passages locations as meeting its specifications and standards for design, function, performance, serviceability and warranty. The Franchisee further agrees to place or display at the Location (interior and exterior) only such signs, emblems, lettering, logos and display materials, and agrees to use in the operation of the

Franchised Business only such supplies that are from time to time approved in writing by the Franchisor. The Franchisee will not replace any of the equipment at the Location or add to such equipment, unless such replacement or additional equipment complies with the Franchisor's standards and specifications and is purchased from the Franchisor or its designated suppliers.

## **5.6 Opening for Business**

The Franchisee agrees to commence the Franchised Business within nine (9) months of the date of execution of this Agreement. This Agreement may be terminated upon notice to Franchisee at the Franchisor's option for failure by the Franchisee to commence its business as provided by this Section.

## **ARTICLE 6 - FEES**

### **6.1 Franchise Fee**

The Franchisee will pay to the Franchisor a non-recurring and non-refundable license fee of \_\_\_\_\_ thousand dollars (\$\_\_\_\_,000.00) **[depends on estimated number of households in territory, will be between \$55,000 - \$75,000]** together with all applicable taxes. The Franchisee acknowledges that the grant of the license to operate the Franchised Business constitutes the consideration for the payment of this franchise fee and that the franchise fee is fully-earned by the Franchisor upon signature of this Agreement.

### **6.2 Royalty Fee**

In return for the ongoing rights and privileges granted to the Franchisee under this Agreement, the Franchisee agrees to pay a continuing monthly royalty fee to the Franchisor equal to six percent (6%) of Gross Sales in each calendar month together with all applicable taxes.

### **6.3 Advertising and Promotion Fund**

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, the Franchisee agrees that the Franchisor may maintain and administer a franchise advertising and promotion fund (the "Fund") in accordance with Article 13 for national, regional and other advertising programs. The Franchisee will pay a continuing monthly advertising and promotion contribution equal to one percent (1%) of its Gross Sales in each calendar month, together with all applicable taxes. The Franchisee's monthly contribution under this section may be increased to such greater percentage of Gross Sales as from time to time may be agreed upon by a majority of the Pet Passages franchisees in the state in which the Location is situate.

### **6.4 Software/Website License Fee**

Franchisee shall pay to Franchisor, or a third-party as directed by Franchisor, the then current Software/Website License Fee, on a monthly basis in accordance with Sections 6.6 and 6.7 below. The Software/Website License Fee supports the development and operation of websites, mobile applications, social media, and other software utilized within the System. Franchisor may revise the Software/Website License Fee at any time on reasonable notice, which need not be more than thirty (30) days.

## **6.5 Marketing Support Program Fee**

Franchisee shall pay to Franchisor, the then current Marketing Director Fee, on a monthly basis in accordance with Sections 6.6 and 6.7 below. This fee will be used by us, among other things, to provide our advertising & marketing support program to you. The advertising & marketing support program will include, but is not limited to the following support, social media management, commercial advertisements, client reviews, business profile & technology updates, media mentions, small business recognition, event and trade show support, and community presence and donations. This support is provided directly to you as the Franchisee to support your advertising & marketing efforts for your Franchised Location. This Marketing Support Program Fee does not count towards the yearly minimum you are required to spend on local advertising in Section 13.7 below. Franchisor may revise the Marketing Support Program Fee at any time on reasonable notice, which need not be more than thirty (30) days.

## **6.6 Payment Due Date**

All monthly payments required by this Agreement must be received by the Franchisor by computer transfer direct debit or such other manner as may be designated by the Franchisor on or before the 10th day of each month in respect of the preceding calendar month. Any payment not actually received by the Franchisor on or before the due date will be considered overdue.

## **6.7 Automatic Payment Procedure**

At the request of the Franchisor and at the Franchisee's expense, the Franchisee will promptly install, implement and at all times maintain and participate in such pre-authorized payment plans, computerized point of sale systems, credit verification systems and automatic banking systems as the Franchisor may from time to time require for franchisees of the System. The Franchisee will do all things necessary to remit payments to the Franchisor due under this Agreement by automatic bank transfer or any similar process or procedure which may be initiated by the Franchisor without further action or authorization on the part of the Franchisee.

# **ARTICLE 7 - ROLE OF THE FRANCHISOR**

## **7.1 Loan of Manual**

The Franchisor will lend and deliver to the Franchisee one (1) copy of the Manual during the Initial Term and any Renewal Term of this Agreement.

## **7.2 Training**

Prior to opening of the Franchised Business to the public, the Franchisor will offer, and the Franchisee is required to successfully complete, an initial training program. This program will provide instruction on the operation of the Franchised Business and such additional curriculum and in such manner as Franchisor designates. The Franchisor will conduct part of the training at the Pet Passages training facility in Rochester, New York, or such other location as the Franchisor may designate and onsite training at the Franchised Business. It is understood that if the Franchisor is required to train additional trainees during or after the initial training program, the Franchisee will be required to pay the Franchisor for any services performed by the Franchisor in the course of such training. The charges for these additional services will be determined by the Franchisor in its sole discretion. In all instances, the Franchisee's principal owner or owner(s), and general manager (if any) must attend and successfully complete the initial training program. It is understood that the Franchisor will pay no compensation for services performed by the Franchisee and any Trainees in the course of training, unless such training involves directly serving the public or performing the services of an employee, in which case the Franchisee's principals and employee/manager (if any) shall earn minimum wage. The Franchisee will pay all additional expenses incurred by the Franchisee and its Trainees in connection with and during such training, including travel, lodging, and meals. For the onsite training at the Franchised Business, Franchisee shall be required to reimburse Franchisor's representative for airfare and lodging.

### **7.3 Additional Information**

In addition to any other training provided for in this Agreement, the Franchisor will, from time to time, furnish the Franchisee with information, instructions, techniques, data, instructional materials, forms and other operational developments pertaining to the offering of products and services, as may be developed by the Franchisor in connection with the operation of a Pet Passages. The Franchisor reserves the right to incorporate such information, techniques, instructions, systems, materials and advice into the Manual, and upon being advised, the Franchisee is required to conduct the operations of the Franchised Business in accordance with such systems and techniques specified by the Franchisor.

### **7.4 On-site Visits**

During the first week of operations, a representative of the Franchisor shall visit the Franchised Business to provide the remainder of the initial training to Franchisee and its general manager (if any). After the initial training is completed, Franchisor may make additional visits to the Franchised Business, from time to time in Franchisor's absolute discretion, for the purpose of rendering advice, consultation and additional training with respect to the Franchised Business, its operation and performance in compliance with the Manual. The Franchisee may reasonably request additional on-site visits from the Franchisor for the purposes of rendering of additional advice, consultation or training and the Franchisee agrees to reimburse the Franchisor for the actual time expended and the actual expenses incurred by the Franchisor for these additional visits.

### **7.5 Bookkeeping Specifications**

The Franchisor will furnish to the Franchisee, as part of the Manual, the standard bookkeeping specifications and reporting forms that are required to be used by the Franchisee.

## **7.6 Suggested Prices**

The Franchisor will endeavor to ascertain those prices for products and services sold by the Franchisee which may optimize profits for the Franchisee, and the Franchisor will advise the Franchisee, from time to time, concerning such suggested prices. The Franchisor and the Franchisee agree that any list or schedule of prices furnished to the Franchisee by the Franchisor is a recommendation only and is not to be construed as mandatory upon the Franchisee. Nothing contained in this Agreement is deemed as a representation by the Franchisor that the use of the Franchisor's suggested prices will, in fact, optimize profits. The Franchisee is obligated to inform the Franchisor of all prices charged for services and products sold by the Franchisee if they vary from the Franchisor's suggested prices, and to promptly inform the Franchisor of any new prices established.

## **7.7 Excusal of Performance**

Delays in the performance of any of the Franchisor's duties which are not within the reasonable control of the Franchisor, including but not limited to fire, flood, natural disasters, Acts of God, governmental acts or orders, or civil disorder, including strikes, do not cause a default hereunder, and the Franchisee will extend the time of performance for the period of such delay or for such other reasonable period of time as may reasonably be required.

# **ARTICLE 8 - IMAGE AND OPERATING STANDARDS**

## **8.1 Condition and Appearance of the Location**

The Franchisee agrees to maintain the condition, cleanliness, design and appearance of the Location consistent with the standards and requirements of the Franchisor (as specified in the Manual or otherwise) for the appearance of all Pet Passages locations (the "Image"). The Franchisee agrees to effect such refurbishing and renovating of the Location as the Franchisor requires from time to time including, without limitation, replacement of worn out or obsolete equipment, and the repair or redecoration of the interior and exterior of the Location. If at any time in the Franchisor's opinion, the general state of repair, appearance or cleanliness of the Location, its equipment or decor do not meet the then applicable Image and standards, the Franchisor may so notify the Franchisee, specifying the action to be taken by the Franchisee to correct such deficiency. If the Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice or thereafter fails to diligently continue a good faith and continuous effort to complete any such required cleaning, maintenance, replacement, redecorating or repair, the Franchisor will have the right, but will not be obligated, to enter upon the Location and effect such cleaning, maintenance, replacement, redecoration or repair of the Location or decor on behalf of the Franchisee and the Franchisee will pay the entire costs of such work on demand.

## **8.2 Authorized Products and Services**

The Franchisee will sell and display at the Location only those types, brands and styles of products and services, and all such products and services as may be specified by the Franchisor, from time to time. All products and services to be sold from or displayed at the Location will be purchased from the Franchisor or its designated suppliers. The Franchisee will comply with the Franchisor's requirements concerning the introduction of any new or different products or service for sale by the Franchisee. The Franchisor will have the right without notice to enter the Location and remove and dispose of any product or service which does not meet the Franchisor's standards and specifications, or which was obtained from any source other than designated suppliers, without liability or accountability for such entry or disposal to the Franchisee of any nature or kind. Notwithstanding the foregoing, Franchisee can request the approval of an item, service or supplier by notifying Franchisor in writing and submitting such information and/or materials Franchisor requests. Franchisor can require Franchisee to pre-pay any reasonable charges connected with Franchisor's review and evaluation of any proposal. Franchisor will notify Franchisee of its decision within fifteen (15) business days of such request.

### **8.3 Minimum Inventory**

At all times, the Franchisee will maintain at the Location a balanced inventory of all products and services described in the Manual in sufficient quantity to satisfy its customers' needs, but in any event the inventory will at all times be equal to, or greater than, the minimum inventory level as set forth in the Manual. In addition to this requirement, the Franchisee acknowledges that, from time to time, the Franchisor may require that it stock new and additional products or services in such minimum quantities as the Franchisor may determine to be desirable. The Franchisee agrees to comply with all requirements of the Franchisor concerning the purchase, storage, display, preparation, use and sale of all approved products and services. If at any time, in the Franchisor's opinion, the Location does not have sufficient inventory and supplies, the Franchisor will have the right to order additional inventory and supplies on behalf of the Franchisee in sufficient quantities to satisfy the Franchisor's minimum inventory requirements and the Franchisee will pay the full cost of purchasing and delivering such inventory and supplies to the Location.

### **8.4 Standards of Service**

The Franchisee shall ensure that all customers receive prompt, courteous, friendly and efficient service in the Franchised Business. In all dealings with all customers, suppliers and the public, the Franchisee will ensure adherence to the highest standards of honesty, integrity, good faith, fair dealing and ethical conduct. The Franchisee agrees that the Franchised Business will not deviate from the standards set by the Franchisor from time to time for the operation of the Location, including without limitation, any of the following:

- a. strict adherence to use of the products and services authorized from time to time by the Franchisor in accordance with Section 8.2;
- b. methods and procedures concerning the correct method of buying, displaying, storing and selling products;

- c. the safety, maintenance, cleanliness, function and appearance of the Location;
- d. clothes to be worn by, and general appearance of, the Franchisee's employees as necessary to maintain uniformity throughout the System;
- e. the use and display of all Marks;
- f. the hours during and the days on which the Location will be open for business to the public;
- g. the honoring of credit, debit or other card services which the Franchisor has approved;
- h. limiting the placement of personal property and other financial security interests in, or hypothecs or pledges of its assets without the prior written approval of the Franchisor;
- i. the use and illumination of signs, labels, posters, displays, standard formats and similar items;
- j. the identification of the Franchisee as a Pet Passages franchisee and the owner of the Franchised Business;
- k. the content, style and media of advertising conducted by the Franchisee;
- l. the sources, types and brands of all products and services sold or displayed at the Location;
- m. the minimum levels of inventory to be maintained by the Franchisee;
- n. the use and honoring of gift certificates, coupons and other such local and national promotions authorized by the Franchisor; and
- o. attendance by the Franchisee at all seminars and meetings with other Franchisees.

## **8.5 Reputation**

The Franchisee agrees that the reputation and success of the Franchised Business is dependent upon the confidence of the consuming public in the Franchisor, its franchisees and their employees, the products and services offered and their ability to protect the consuming public from crime. In this regard, the Franchisee acknowledges and agrees that it is necessary that its personnel standards be more stringent than those adopted by businesses generally and will uphold this high reputational standard through the Term of the Agreement.

## **8.6 Interim Remodeling**



The Franchisee agrees to remodel and upgrade the Franchised Business to the extent and in accordance with the then current standards as required by the Franchisor, prior to the termination of each five (5) year period throughout the original term and any renewal of this Agreement. All costs incurred in connection with such remodeling and upgrading and the acquisition of any fixtures will be paid solely by the Franchisee. Franchisor agrees to require Franchisee to spend no more than \$20,000.00 on an interim remodel.

#### **8.7 Suggested Prices to be Charged by the Franchisee**

The Franchisor may, from time to time, advise the Franchisee concerning suggested minimum prices to be charged by the Franchisee that, in the Franchisor's judgment, would constitute good business practice for the Franchisee. The Franchisee is under no obligation to accept the Franchisor's suggestion as to minimum price and will in no way suffer in its business relations with the Franchisor or with any other person if the Franchisee fails to accept any such suggestion. The Franchisee acknowledges and agrees that the integrity and goodwill developed in its Franchised Business and all other Pet Passages locations may depend upon the sale of goods and services at competitive prices and that, therefore, the Franchisor may specify from time to time, a maximum price for the Franchisee's goods and services and the Franchisee agrees to comply with such directions from the Franchisor concerning maximum prices. Such advice or suggestions concerning minimum prices and directions concerning maximum prices may be contained in the order forms or packing slips which accompany goods purchased by the Franchisee from the Franchisor, in advertisements and promotional material prepared or arranged by the Franchisor, or in the Manual.

#### **8.8 Full-Time and Attention**

The Franchisee or at least one of its owners, will devote his or her entire time, labor, skill, efforts and attention to the honest, diligent and faithful operation of the Franchised Business.

#### **8.9 Management of Location**

At all times, the Franchised Business and the Location will be under the direct, on-premises supervision of the Franchisee or under the direct, on-premises supervision of a fully-trained employee-manager of Franchisee who has satisfactorily completed the initial training or any ongoing training required of Franchisee by Franchisor.

#### **8.10 Hours of Operation**

Subject to applicable laws, the Franchisee will keep the Location open for business and staffed with trained employees during such hours as required by the lease for the Location and such additional hours of business as the Franchisor may require.

#### **8.11 Development of Market**

The Franchisee will at all times actively promote the products and services offered by the Franchised Business, and will use its best efforts to develop, cultivate, and expand the market for these products and services within the Territory.

## **ARTICLE 9 - GENERAL OBLIGATIONS OF THE FRANCHISEE**

### **9.1 Need for Conformity**

The Franchisee acknowledges and agrees that every detail of the System is important to the Franchisee, the Franchisor and other franchisees in order to maintain the high and uniform operating standards, to increase the demand for the products and services offered to the public in connection with the System and the Marks, and to enhance the goodwill associated therewith, and the Franchisor's reputation and rights therein. As such, the Franchisee will at all times manage and operate the Franchised Business in strict compliance with the standards, procedures and policies as the Franchisor may from time to time establish as though all were specifically set forth in this Agreement, whether set forth in the Franchisor's Manual, bulletins, notices or elsewhere.

### **9.2 Responsibility for Service**

The Franchisee will be solely responsible for the services and results of such services which are performed under this Agreement. This responsibility remains a continuing obligation beyond the termination of this Agreement, regardless of the cause of termination.

### **9.3 Pre-Opening Requirements**

Before commencing operation of the Franchised Business, the Franchisee, will comply at its expense and to the Franchisor's satisfaction, with all of the requirements set out below.

a. The Franchisee will comply with the Franchisor's specifications and guidelines for the initial establishment of the Franchised Business which will include the execution of a lease for at least a term covering the Initial Term. The lease entered into by the Franchisee must contain the provisions out in Section 5.2.

b. The Franchisee will obtain all federal, provincial and local business licenses, permits and certifications required for lawful operation of the Franchised Business on an ongoing basis, including, without limitation, zoning, access, variances (if required) and will certify in writing to the Franchisor that all such licenses, permits and certifications have been obtained.

### **9.4 Initial Training**

The Franchisee, where the Franchisee is an individual, or one of the principal shareholders or general partners of the Franchisee who is or will be actively involved in the business of the Franchisee, together with the Franchisee's employee-manager, if the manager is not the Franchisee, will attend and successfully complete the Franchisor's training program prior to the opening of the Franchised Business. The initial training program will be conducted at a

location designated by the Franchisor and for such duration as the Franchisor, in its discretion, determines necessary. In most situations, the duration of the training program will be 10 ½ days of training conducted at the Franchisor's Rochester location and 3 days of training at the Franchised Location during opening week. The Franchisor reserves the right to charge reasonable tuition and materials fees where more than 2 individuals attend or are required to attend training. The Franchisee and its employees will be responsible for all meals, travel, lodging or other expenses incurred in attending the Franchisor's training program. No compensation of any type will be payable to trainees, unless required by law in which case minimum wage will be paid. The second part of training will be conducted at the Franchised Business and Franchisee will be responsible for reimbursing Franchisor's representative for air fare and lodging during this week of training. If, in the opinion of the Franchisor, the Franchisee cannot or does not satisfactorily complete such pre-opening training programs or, in the Franchisor's opinion, the Franchisee has failed to demonstrate the qualities and abilities which the Franchisor deems necessary for the successful operation of the Franchised Business, the Franchisor may at its option terminate this Agreement. In the event that the Franchisor exercises its right to terminate the Agreement pursuant to this Section, the Franchisor will refund to the Franchisee the Franchisee Fee, less the Franchisor's reasonable direct and indirect costs incurred to the date of termination.

### **9.5 Ongoing Training**

The Franchisee will cause its employees to attend and successfully complete, to its reasonable satisfaction, such additional continuing education and training programs as the Franchisee deems appropriate to ensure its Franchised Business meets all operational standards. Franchisee may also be required to attend any ongoing training that Franchisor deems necessary, and the bi-annual conference held by Franchisor. The Franchisor may hold periodic training sessions and conferences in its discretion, and reserves the right to charge reasonable tuition and materials fees for any periodic training or retraining programs offered. The Franchisee and/or its manager and employees will be responsible for all other expenses incurred in training, including, without limitation, the costs of meals, entertainment, lodging, travel, laundry and wages.

### **9.6 Hiring and Training of Employees by the Franchisee**

The Franchisee will hire and train at its expense, all employees of its Franchised Business, and will be exclusively responsible for the terms of their employment and compensation including but not limited to: hiring, firing, discipline, supervision, direction, wages, hours, number of workers, scheduling, seniority, assigning work, and determining the manner or method of performance. The Franchisee will at all times maintain a sufficient number of trained employees to service the Franchisee's customers and ensure that Franchisor's operational and quality standards are met at all times during the Term of this Agreement.

### **9.7 Payment of Taxes and Indebtedness**

The Franchisee will pay when due all taxes and duties levied or assessed by any taxing authority, and all accounts and other indebtedness of every kind incurred by the Franchisee in the conduct of the Franchised Business.

### **9.8 Dispute Regarding Taxes or Indebtedness**

In the event of any valid dispute as to liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. In no event will the Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, or seizure or execution, to occur against the premises or assets of the Franchised Business.

### **9.9 Compliance with Laws**

The Franchisee will comply with all federal, provincial, and local laws, rules and regulations, and will obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business in a timely manner, including, without limitation, licenses to do business, business name registrations and sales tax permits.

### **9.10 Duty to Notify**

The Franchisee will notify the Franchisor in writing within five (5) business days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental authority which affects or relates to the operation or financial condition of the Franchised Business. A copy of any such order, writ, injunction, award or decree or of any complaint, claim or defense filed in connection with such action, suit or proceeding will be forwarded to the Franchisor within three (3) days of the date of receipt to or forwarding by the Franchisee, as the case may be. Additionally, any and all customer-related complaints will be answered by the Franchisee within five (5) days after receipt of the complaint. A copy of the answer to any complaint will be forwarded to the Franchisor within three (3) days of the date that any answer is forwarded to the complaining customer.

### **9.11 Materials**

The Franchisee will only use advertising materials, business stationery, printed materials and other marketing materials that have been pre-approved by the Franchisor.

### **9.12 Inspection of Premises**

The Franchisee will permit the Franchisor or its agents or representatives to enter upon the premises of the Franchised Business, or any location at which the Franchisee is then providing services, at any time during business hours and without notice for the purpose of inspecting the records of the Franchised Business, cash register tapes, bookkeeping and accounting records, invoices, payroll and employment records, time cards, check stubs, bank deposits, receipts, sales tax records and returns, inventory records, income tax records and

returns, and other business records. The Franchisee will also permit the Franchisor to inspect the premises, take photographs, interview employees and customers, and conduct any other reasonable review to ensure compliance with the Franchisor's standards and specifications. The Franchisee will cooperate fully with the Franchisor's agents or representatives in such inspections by rendering such assistance as they may reasonably request. Upon notice from the Franchisor or its agents or representatives, and without limiting the Franchisor's other rights under this Agreement, the Franchisee will take such steps as may be necessary to correct, within the period of time designated by the Franchisor in its notice, any deficiencies detected during such inspections, including, without limitation, immediately removing items that do not conform with applicable standards and specifications, and desisting from and preventing the further use of any methods, equipment, advertising materials, programs, supplies, products, services or other items that do not conform to the Franchisor's then-current specifications, standards or requirements.

### **9.13 Communications Equipment**

The Franchisee acknowledges the importance to the success of the Franchised Business and to the System of maintaining timely communications with the Franchisor and all others who may wish to communicate with the Franchisee from time to time. For this purpose, the Franchisee agrees to obtain and maintain at its sole cost in proper working order at all times, including all necessary repairs, maintenance, replacement and upgrades (to current industry standards) all telephone, facsimile, video, internet and other telecommunications hardware, software, service and support that may be stipulated from time to time by the Franchisor in the Manual or otherwise communicated to the Franchisee for use generally by franchisees of the System.

### **9.14 Website**

As long as Franchisee is not in default under this Agreement, Franchisor will create and maintain a website specifically for Franchisee's Franchised Business. Franchisee will be given limited rights to modify its website, but any modifications shall be with the Franchisor's prior written approval. Franchisor will use reasonable efforts to ensure the website is working properly, but Franchisor is not responsible for any lost business due to website downtime. Franchisee acknowledges and agrees to notify Franchisor immediately if its website goes down.

Through Franchisee's website, Franchisor, or an affiliate will offer various products to Franchisee's customers. Franchisee will receive eighty (80%) of the net proceeds from orders through Franchisee's website, and the remaining twenty (20%) of the net proceeds will be retained by Franchisor. Franchisee will have no obligation to fulfill orders or collect sales tax for said online sales.

### **9.15 Maintenance of Equipment**

The Franchisee will keep and maintain the Location and all of its equipment in good working order and repair.

#### **9.16 Confidential Information**

Neither the Franchisee (whether the Franchisee is an individual, corporation or partnership), nor any of its officers, directors, shareholders, partners or agents, as the case may be, will, during or after the term of this Agreement, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to the Franchisee, or of which the Franchisee may have knowledge, by virtue of the Franchisee's operation under the terms of this Agreement. The Franchisee will divulge confidential information to its employees on a "need to know" basis only. Any and all information, knowledge and know-how, including, without limitation, drawings, materials, equipment, supplier lists and other data, which the Franchisor designates as confidential, will be considered confidential for purposes of this Agreement. Upon request by the Franchisor, the Franchisee will obtain from its employees and deliver to the Franchisor a Confidentiality agreement in the form provided by the Franchisor.

#### **9.17 Non-Solicitation and Non-Competition**

The Franchisee and each of the Guarantors, acknowledges that pursuant to this Agreement, the Franchisee will receive valuable specialized training and confidential and other information regarding the business, promotional, sales, marketing and operational methods and techniques of the Franchisor and the System. The Franchisee and each of the Guarantors agrees that during the term of this Agreement, any renewal period, and for a continuous, uninterrupted period commencing upon the expiration or termination of this Agreement or the transfer of the Franchisee's rights in this Agreement and continuing for a two (2) year period after that time, the Franchisee and the Guarantors will not, either directly or indirectly, for itself or themselves or through, on behalf of or in conjunction with any person, persons, partners or corporation whether as a director, officer, employee, consultant, agent, advisor or shareholder, and either with or without compensation:

a. divert or attempt to divert any business or customer of the Franchised Business to any competitor, direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act or prejudicial to the goodwill associated with the Marks and the System;

b. employ or seek to employ any person who is at that time employed by the Franchisor or by any other franchisee of the Franchisor, or otherwise directly or indirectly induce such person to leave other employment; or

c. own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, provide any guarantee or other financial assistance to or have any interest in any business which is similar to or in competition with the Franchised Business and which is located within a radius of sixty-five (65) miles of the Location or the location of any franchised business

operated under the System which is in existence on the date of expiration or termination of this Agreement.

Franchisee and each of the Guarantors acknowledges and agrees that they currently maintain sufficient training and skills that would allow them to perform services and obtain and maintain employment opportunities in industries other than the crematory services industry. Accordingly, if the Franchisor is required to seek enforcement of the restrictive covenants in this Agreement, such enforcement will not impose an undue hardship on the Franchisee or any of the Guarantors.

### **9.18 Organizational Documents**

If the Franchisee is a corporation, copies of the Franchisee's organizational documents, including the resolutions of the Board of Directors authorizing entry into this Agreement, will be promptly furnished to the Franchisor on request. The Franchisee's organizational documents will allow the corporation to carry on the operation of a Pet Passages franchise.

### **9.19 Transfer and Issuance of Securities**

If the Franchisee is a corporation, the Franchisee will maintain stop transfer instructions against the transfer of any of its securities with voting rights, and all of its securities will bear on their face the following printed legend:

"The transfer of the securities represented by this certificate is subject to the terms and conditions of a Franchise Agreement with Pet Passages Franchising, Inc. Reference is made to the provisions of that Franchise Agreement and to the organizational documents of this Corporation."

### **9.20 Cleanliness**

The Franchisee will maintain a clean and safe place of business and will comply with all applicable safety and health regulations standards.

### **9.21 Use of Name, etc.**

The Franchisee agrees to give the Franchisor and those acting under its authority the right to reasonably and fairly use their name, photograph or biographical material in any publication, circular or advertisement related to the business of the Franchisor or Franchisee, in any place for an unlimited period, without compensation.

### **9.22 Surveillance**

The Franchisee agrees to obtain and maintain surveillance equipment at the Location, in working order, at all times during the term of this Agreement as specified in the Manual. Franchisee agrees to grant Franchisor remote access to the surveillance equipment for monitoring purposes at all times during the term of this Agreement.

### **9.23 Company Vehicle**

The Franchisee agrees to purchase or lease a company vehicle (throughout the term of the Franchise Agreement) for the Location prior to opening for business (“Company Vehicle”). The Franchisee shall obtain a Ford Transit Connect XL, Chevrolet Express Cargo van, GMC Savannah cargo van, Ram ProMaster, Ram ProMaster City, or Ford Transit Cargo Van, in the current body style, or another model which must be approved by the Franchisor. The Company Vehicle must be silver and have the appropriate logos placed on it in accordance with the Manual and always must be clean and maintained in good working order. The Company Vehicle shall be outfitted with shelving conducive to securely transferring pets on longer hauls, in accordance with the Manual. The Franchisee must obtain the written consent of the Franchisor prior to purchasing said vehicle and maintain adequate insurance coverage as required by the state in which said vehicle is registered. Franchisee acknowledges and agrees that throughout the term of this Agreement, it may be required to purchase additional company vehicles as necessary to meet its business needs and provide good customer service as required by this Agreement.

### **9.24 Participation in VerticalVet Program.**

You will have the option to participate in the VerticalVet program. VerticalVet operates as a Group Purchasing Organization (GPO) for veterinary practices. For a fee, VerticalVet will offer and advertise Pet Passages products and services to its member veterinary practices. Each Pet Passages franchised location will be the only pet funeral and cremation services provider advertised and offered to VerticalVet members within the geographic scope of that Pet Passages franchised location. You will be provided a copy of the most current information and terms for the VerticalVet Program by Franchisor, including your obligations under this program if you choose to participate. Such obligations may include, but are not limited to the requirement to pay an administrative fee, growth rebate, Practice Consultation Fee, late fees as applicable, and any other applicable fees. Such obligations will continue for as long as you choose to participate in VerticalVet program, and any obligations to pay fees will continue after termination until any amounts due are paid. If you choose to participate in the VerticalVet program, you may be required to sign an Amendment to this Franchise Agreement that contains the current obligations and terms of the VerticalVet program. Franchisor reserves the right to make changes to its agreement with VerticalVet without any notice to you, including but not limited to the amount of the administrative fee, the amount of the growth rebate, and the amount of the Practice Consultation Fee.

### **9.25 Participation in Referral Programs.**

From time to time Franchisor may enter into referral relationships with group purchasing organizations, national veterinarian accounts, or other such referral sources for the benefit of the franchisees and the System (collectively “Referral Program(s)”). If you choose to participate in any such Referral Program(s) you agree to be bound by terms and obligations of such Referral Program(s), including but not limited to, any fees or costs for such program.

### **9.26 Other Obligations**



The Franchisee will comply with all other obligations set forth in this Agreement, in the Manual or otherwise.

## **ARTICLE 10 - TRADE MARKS, TRADE NAMES AND/OR SERVICE MARKS**

### **10.1 Grant of License**

Subject to the additional conditions set forth herein, the Franchisor grants the Franchisee a non-exclusive license to use the Marks in connection with the operation of its Franchised Business at the Location and within the Territory.

### **10.2 Conditions for Use**

With respect to the Franchisee's use of the Marks pursuant to the license granted under this Agreement, the Franchisee agrees to comply with all of the conditions of use set out below.

- a. The Franchisee will use only the Marks designated by the Franchisor and will use them only in the manner required or authorized and permitted by the Franchisor.
- b. The Franchisee will use the Marks only in connection with the license to operate the Franchised Business granted under this Agreement.
- c. During the term and any renewal of this Agreement, the Franchisee will identify itself as a licensee and not the owner of the Marks and will make any necessary filings under federal, state or provincial law and execute any documents considered necessary by the Franchisor for protection of the Marks or to reflect such status. In addition, the Franchisee will be identified as a licensee of the Marks on all invoices, checks (checks), order forms, receipts, business stationery and contracts, as well as the display of a notice in such form and content and at such conspicuous locations at the premises of the Franchised Business as the Franchisor may designate in writing. For example, the notice may read: "123456 \_\_\_\_\_, operating as Pet Passages. Pet Passages is a trademark of Pet Passages, Inc."
- d. The Franchisee's license to use the Marks is limited to such uses as are authorized under this Agreement or in the Manual, and any unauthorized use of the Marks will constitute an infringement of the Franchisor's rights and is grounds for termination of this Agreement as well as other remedies available to the Franchisor.
- e. The Franchisee will not use the Marks to incur or secure any obligation or indebtedness.
- f. The Franchisee will not use the Marks or any part of them as part of its corporate or other legal name.

- g. The Franchisor retains ownership of the Marks, and Franchisee's licensed use of the Marks shall inure to the benefit of the Franchisor.

### **10.3 Notice of Litigation**

The Franchisee will notify the Franchisor promptly of any claims or charges or any infringement or threatened infringement or piracy of any of the Marks, of any actual or intended common law passing off by reason of imitation or otherwise, as well as any other information that the Franchisee may have of any suspected infringement or misuse of the Marks. The Franchisee will take no action with regard to such matters without the prior written approval of the Franchisor, but will cooperate fully with the Franchisor in any such action. All decisions regarding action involving the protection and defense of the Marks will be solely in the discretion of the Franchisor.

### **10.4 Acknowledgement**

The Franchisee expressly understands and acknowledges each of the matters set out below.

- a. The Pet Passages, Inc. is the owner of the Marks and all goodwill associated with and symbolized by them, and Franchisor has the exclusive right to license the Marks. Franchisee's licensed use of the Marks shall inure to the benefit of the Franchisor.
- b. The Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System.
- c. The Franchisee will not directly or indirectly contest the validity or the ownership of the Marks.
- d. The Franchisee's use of the Marks pursuant to this Agreement does not give the Franchisee any ownership interest or other rights or interest in or to the Marks.
- e. Any and all goodwill arising from the Franchisee's use of the Marks will accrue solely and exclusively to the Franchisor's benefit, provided that the Franchisee will enjoy and be entitled to the benefit of all other goodwill associated with the Franchised Business.
- f. The license to use the Marks granted under this Agreement to the Franchisee is in common with others and the Franchisor may:
  - i) itself use, and grant licenses to others to use, the Marks and the System;
  - ii) establish, develop and franchise other systems, different from the System licensed to the Franchisee in this Agreement, provided that the Franchisor

will offer a ten (10) day first right of refusal to purchase any such other system entirely from within the Territory; and

- iii) modify or change, in whole or in part, any aspect of the Marks or the System so long as the Franchisee's rights are not materially harmed by such modification or change.
- g. The Franchisor reserves the right to substitute different names and Marks for use in identifying the System, the Franchised Business and other franchised businesses operating under the System and the Marks.
- h. The Franchisor will have no liability to the Franchisee for any senior users which may claim rights to the Marks. The Franchisor is not presently aware of any such senior user, or any other claim that the Marks infringe the intellectual property rights of any other person.
- i. The Franchisee will not register or attempt to register the Marks in the Franchisee's name or that of any other person, firm, entity or corporation. The prohibition in this section will not impede or inhibit the Franchisee from complying with any legislation requiring registration of any business, trade or fictitious name of the Franchisee or the Franchised Business.

## **ARTICLE 11 - MANUAL**

### **11.1 Compliance with Manual**

In order to protect the reputation and goodwill of the Franchisor and to maintain uniform standards of operation under the Marks, the Franchisee will conduct its business in strict compliance with the Manual including all amendments and additions. One copy of the Manual will be provided to the Franchisee on loan from the Franchisor for the term of this Agreement.

### **11.2 Confidentiality of Manual**

The Franchisee will at all times treat as confidential and require its directors, officers, shareholders, partners, employees and agents, as the case may be, to treat as confidential the Manual, and will use all reasonable efforts to maintain such information as secret and confidential, including the requirement to keep the Manual in a locked and secure location. The Franchisee will not at any time, without the Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the Manual, in whole or in part, nor otherwise make it available to any unauthorized person. Upon request, the Franchisee will obtain a confidentiality agreement relating to the Manual from the employees of the Franchisee.

### **11.3 Franchisor's Property**

The Manual and other training materials on loan from the Franchisor will at all times remain the property of the Franchisor. Upon the expiration or termination of this Agreement, the Franchisee will immediately return the Manual to the Franchisor. If the Manual is ever lost or destroyed then the Franchisee shall be required to pay a fee of \$5,000 to the Franchisor for a replacement Manual.

#### **11.4 Revisions**

The Franchisor may from time to time revise the contents of the Manual and the Franchisee agrees to comply with each new or changed standard. Without limiting the generality of the revisions and changes that may be made from time to time to the Manual, such changes may include information, instructions, techniques, data, instructional materials, forms and other operational developments pertaining to the offering and selling of tutorial, remedial and enrichment instruction to students, preparation courses and materials for standardized entrance examinations, and other products and services relating to such topics. The Franchisee will at all times ensure that the Manual loaned to the Franchisee is kept current and up-to-date, and in the event of any dispute as to the contents of the Manual, the contents of the master copy of the Manual maintained by the Franchisor at the Franchisor's home office will be determinative.

### **ARTICLE 12 - ACCOUNTING AND REPORTING**

#### **12.1 Use of Designated Accounting System**

The Franchisee agrees to utilize the computerized bookkeeping, reporting and accounting system designated from time to time by the Franchisor (including the fiscal year and reporting periods designated by the Franchisor for purposes of budgeting, reporting, and accounting as required under this Agreement), which system will be established and utilized by the Franchisee to account for, and transmit, the financial information required under this Agreement. The Franchisee further agrees to pay all reasonable fees charged by the Franchisor or others for use of such systems, as well as the purchase or lease of all necessary computer hardware, software, technical support and other expenses.

#### **12.2 On-Line Access**

The Franchisee agrees that the computerized bookkeeping, reporting and accounting system to be implemented and maintained by the Franchisee under this Agreement will include on-line access (electronic data interchange) hardware and software that will permit the Franchisor to access all of the Franchisee's computer-based financial information, and to read, download and copy any and all such information as may be required by the Franchisor from time to time in accordance with this Agreement. The Franchisee agrees to provide such access on a free and uninterrupted basis, to maintain all of its computerized records in an accurate, complete and absolutely current basis, and to comply with all directives of the Franchisor as to the confirmation of all such data, software and hardware.

#### **12.3 Maintenance of Records**

During the term of this Agreement, the Franchisee will maintain and preserve, for at least five (5) years from the dates of their preparation, full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner designated by the Franchisor from time to time in the Manual or otherwise in writing.

#### **12.4 Failure to Maintain Proper Records**

If the Franchisee fails to keep proper business records or is unable to produce complete or proper business records as required by this Agreement for any period and the Franchisor suspects that the Gross Sales of the Franchised Business as reported to the Franchisor has been understated for such period, the Franchisor will be entitled to estimate the Gross Sales of the Franchised Business for such period based on its experience with other franchisees and such estimate will be deemed to be accurate and will be used for purposes of calculating the fees payable to the Franchisor under this Agreement unless and until the Franchisee produces the required records in a complete and proper form.

#### **12.5 Reports and Financial Information**

The Franchisee will furnish to the Franchisor such reports as the Franchisor may reasonably require from time to time. Without limiting the generality of the foregoing, the Franchisee will furnish to the Franchisor the following reports:

- a. by the tenth (10th) day of each calendar month, in the form from time to time prescribed by the Franchisor:
  - i) a report of Gross Sales for the preceding calendar month, signed and verified by the Franchisee together with copies of such other information and supporting records as the Franchisor may require from time to time, including a cash flow report, an aged list of accounts receivable and accounts payable, and an income statement for that month;
  - ii) a variance report comparing actual revenues and expenses for the preceding month with the budgeted revenues and expenses as disclosed by the Franchisee in its business plan; and
  - iii) sales effectiveness reports disclosing the following information: types of animals, types of cremation, patient distance reports and advertising effectiveness (how customers found the Franchised Business).
- b. by the ninetieth (90th) day after the expiration of each fiscal year of the Franchised Business, in a form approved by the Franchisor:
  - i) a statement of profit and loss (income statement), a balance sheet, and a statement of changes in financial position for that fiscal year prepared in accordance with Generally Accepted Accounting Principles as defined by

the Canadian Institute of Chartered Accountants, and certified to be true and correct by the Franchisee; and

- ii) a cash flow statement, yearly budget, yearly business plan and yearly marketing plan setting out the Franchisee's budgeted monthly revenue and expenditures for a twelve (12) month period for the upcoming year, all of which must be prepared in accordance with the Franchisor's model for such documents;
- c. any other reports, records and documents required to be maintained by the Franchisee pursuant to this Agreement.

## **12.6 Additional Information**

The Franchisee will also submit to the Franchisor, for review or auditing, such other forms, reports, records, information and data as the Franchisor may designate, in the form and at the time required by the Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing.

## **12.7 Enquiry by the Franchisor**

The Franchisee authorizes the Franchisor or its nominee to make enquiries of the Franchisee's bankers, suppliers, trade creditors, and customers as to their dealings with the Franchisee.

## **12.8 Inspection**

The Franchisor or its designated agents will have the right at all times to examine the books, records, receipts, and tax returns and any other financial records and reports of the Franchisee. The Franchisor's right of examination will include the right to remove all such books, records, etc. for the purpose of photocopying, provided that any such books, records, etc. so removed will be returned promptly to the Franchisee. The Franchisor will also have the right, at any time to have an independent audit made of the books of the Franchisee. The cost of such inspections will be paid by the Franchisor, except that if an inspection discloses an understatement in any report of five percent (5%) or more, the Franchisee will reimburse the Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and legal fees). If an inspection should reveal that payments have been understated in any report to the Franchisor then the Franchisee will, in addition, immediately pay to the Franchisor the amount understated upon demand, and interest from the date such amount was due until paid, at the Interest Rate. Remedies under this section will be in addition to any other remedies that the Franchisor may have.

## **ARTICLE 13 - ADVERTISING**

### **13.1 Advertising**

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the Franchisee agrees to the terms of this article.

### **13.2 Submission and Approval of Advertising**

All advertising by the Franchisee in any medium will be conducted in a dignified manner and will conform to the standards and requirements established from time to time by the Franchisor. The Franchisee will submit to the Franchisor (through registered mail, return receipt requested), for its prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials that the Franchisee desires to use and that have not been prepared or previously approved by the Franchisor. The Franchisee must obtain express written approval from the Franchisor prior to using any marketing or advertising material.

### **13.3 Advertising and Promotion Fund**

The Franchisor maintains the Pet Passages Franchise Advertising and Promotion Fund (the "Fund"). The Franchisee is required to pay to the Franchisor for contribution to the Fund a non-refundable monthly contribution equal to one percent (1%) of the Franchisee's Gross Sales for the preceding month.

### **13.4 Use of Funds by Franchisor**

All payments by the Franchisee to the Fund will be maintained in an account separate from any other monies of the Franchisor. The proceeds of the Fund will be used primarily for the development, production and implementation of advertising and promotional campaigns and programs in order to foster and promote goodwill and customer recognition, and loyalty to the System and, by extension, to the Franchised Business. The Franchisor will make an accounting available to the Franchisees each year as to advertising funds spent, including a reasonable allocation for the Franchisor's overhead expenses incurred in connection with the administration and management of the Fund, provided that no monies will be expended from the fund for use by the Franchisor principally for the purpose of promoting the sale of franchises. It is understood and agreed that the Franchisor will allocate advertising funds as it considers appropriate, provided that the Franchisor will from time to time receive and consider the input of franchisees of the System, or of any advisory board of the Fund that may be established by the Franchisor from time to time.

### **13.5 Termination of Fund**

Although the Fund is intended to be of perpetual duration, the Franchisor reserves the right to terminate the Fund, in its discretion. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising and/or promotional purposes.

### **13.6 Administration of Fund**

The Franchisor may establish such policies and procedures for the administration of the Fund as the Franchisor, in its discretion, may consider necessary and appropriate.

### **13.7 Advertising Directed by the Franchisee**

The Franchisee agrees that it will dedicate and spend at least \$9,000.00 per year marketing and advertising its Franchised Business through local or regional advertising as designated or approved by the Franchisor and will, upon request by the Franchisor, provide documentation demonstrating its compliance with this requirement. Franchisee agrees to focus marketing efforts first to veterinary clinics, pet hospitals and humane societies within its Territory, and then to individual prospective clients. The Franchisee will advertise and promote only in a manner that will reflect favorably on the Franchisor, the Franchisee, the Franchised Business and the good name, goodwill and reputation of each. All advertising by the Franchisee must be completely factual and conform to the highest standards of ethical advertising.

### **13.8 Marketing Director**

You are required to work with our Marketing Director and they will provide our Marketing Support Program to you. The Marketing Support Program will include, but is not limited to the following support, social media management, commercial advertisements, client reviews, business profile & technology updates, media mentions, small business recognition, event and trade show support, and community presence and donations. We require you to pay a Marketing Support Program Fee of \$150 per month, due on or before the 10<sup>th</sup> day of the month. The Marketing Support Program Fee does not count towards the yearly minimum you are required to spend on local advertising in Section 13.7 above. We reserve the right to increase or otherwise modify the marketing director fee at any time. The marketing director will provide these services to you, other franchisees, and the system as a whole.

## **ARTICLE 14 - INSURANCE**

### **14.1 Policies to be Obtained**

The Franchisee will obtain, prior to providing the services licensed under this Agreement, and maintain during the term of this Agreement at the expense of the Franchisee, an insurance policy or policies protecting the Franchisee and the Franchisor, their officers, directors, partners and employees, against any loss, liability, personal injury, death, or property damage or expense whatsoever from theft, vandalism, malicious mischief, and the perils included in the extended coverage endorsement arising or occurring upon or in connection with the Franchised Business. The Franchisee will provide the Franchisor with proof of coverage upon request from time to time.

### **14.2 Scope of Coverage**



Insurance policies will be written by an insurance company satisfactory to the Franchisor in accordance with the standards and specifications set out in the Manual or otherwise in writing, and will include, at a minimum:

- a. employer's liability and workers' compensation insurance as designated by law;
- b. comprehensive general liability insurance covering the operation of the Franchised Business in an amount not less than \$1,000,000.00;
- c. umbrella policy in an amount not less than \$1,000,000.00;
- d. property coverage to the amount of the full insurable value of all of the Franchisee's property of every kind on an "all risks" basis, including coverage for conventional loss due an insured peril;
- e. errors and omissions insurance;
- f. business interruption insurance;
- g. liability insurance covering malicious acts of the Franchisee and the agents and employees of the Franchisee, including acts of sexual harassment or assault, and other forms of abusive or improper conduct;
- h. owned and non-owned motor vehicle coverage; and
- i. personal injury coverage in an amount not less than \$3,000,000.

You are required to obtain a quote for the required insurance coverage from Lawley Insurance & Employee Benefits ("Lawley Insurance") prior to selecting an insurance carrier, however, you are not required to select Lawley Insurance as your insurance carrier.

In the event that the Franchisor has arranged for the provision of any such insurance through a carrier common to franchisees of the System, then the Franchisee will procure all required coverage from that carrier.

### **14.3 Franchisor's Option to Obtain Insurance**

Should the Franchisee, for any reason, fail to obtain or maintain the insurance required by this Agreement, as revised from time to time by the Manual or otherwise in writing, the Franchisor will have the right, at its option, to obtain such insurance and to charge that expense to the Franchisee, which charges, together with an administrative fee for the Franchisor's expenses in so acting equal to 15% of the total premium cost, will be payable by the Franchisee immediately upon notice.

#### **14.4 Franchisee to Report Claims**

The Franchisee will promptly report all claims or potential claims against the Franchisee, the Franchisor or the Franchised Business to its insurer and the Franchisor. At least ten (10) days prior to commencing business, and annually after that time, the Franchisee will submit to the Franchisor a copy or certificate or other acceptable proof of its insurance. The Franchisor may from time to time reasonably determine and increase the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant considerations.

### **ARTICLE 15 - TRANSFER OF INTEREST**

#### **15.1 Transfer by the Franchisor**

The Franchisor will have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity provided that such assignee has agreed to assume all obligations of the Franchisor under this Agreement. Upon the happening of any such assignment, the Franchisor will be immediately released from any further obligation or liability under this Agreement of any nature whatsoever.

#### **15.2 Transfer by the Franchisee**

The Franchisee understands and acknowledges that the rights and duties set out in this Agreement are personal to the Franchisee, and that the Franchisor has entered into this Agreement in reliance on the business skill and financial capacity of the Franchisee and of its shareholders or partners, if applicable. Accordingly, neither the Franchisee nor any individual partnership, corporation or other legal entity which directly or indirectly controls the Franchisee, if the Franchisee is a corporation, nor any general partner or limited partner (including any corporation that controls, directly or indirectly, any general or limited partner) if the Franchisee is a partnership, will sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber any legal or beneficial interest in the Franchisee, in this Agreement, in the Franchised Business or any of the assets employed by or in connection with the Franchised Business without the prior written consent of the Franchisor. Any purported assignment or transfer, by operation of law or otherwise, which does not have the prior written consent of the Franchisor, will be null and void and will constitute a material breach of this Agreement for which the Franchisor may terminate this Agreement without opportunity to cure.

#### **15.3 Pre-Conditions to Transfer**

The Franchisor will not unreasonably withhold its consent to a transfer of any interest of the Franchisee in the Franchised Business. Prior to the proposed transfer, the Franchisee must fulfil the terms of the Franchisor's transfer policy in effect at the time of transfer. The Franchisor may, in its discretion, as a part of its transfer policy require that the conditions set out below be satisfied.

- a. If the transferee entity is to be a corporation, then it will be a newly organized corporation and copies of all organizational documents, including any shareholder agreement, will be provided to the Franchisor. The organizational documents will restrict the business that the corporation may carry on to the operation of a Pet Passages franchise.
- b. All obligations, monetary or otherwise, of the Franchisee or of the principals of the Franchisee to the Franchisor, affiliates and suppliers of the Franchisor will have been satisfied in full.
- c. The Franchisee or transferor, as the case may be, will have executed a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, provincial and local law.
- d. The transferee will enter into a written agreement, under seal, and in a form satisfactory to the Franchisor, assuming and agreeing to discharge all of the Franchisee's obligations this Agreement.
- e. The transferee will have provided the Franchisor with criminal record statements for all principals of the transferee.
- f. The Franchisee will not be in default of any provision of this Agreement or any other agreement between the Franchisor and the Franchisee.
- g. The transferee and its principals will demonstrate to the Franchisor's satisfaction: that they meet the Franchisor's managerial and business standards; possess a good moral character, business, and credit rating; have the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise); and have adequate financial resources and capital to operate the Franchised Business. The transferee will be required to meet personally with the Franchisor's selection committee, and will be required to satisfy the selection committee that he, she or they generally satisfy the existing requirements for all new Pet Passages franchisees.
- h. The transferee will execute (and/or, upon the Franchisor's request, cause all interested parties to execute) such then-current standard form franchise agreement and other supporting documents as Franchisor may require for the Franchised Business.
- i. At the transferee's expense and upon such other terms and conditions as the Franchisor may reasonably require, the Franchisor will require the transferee or the transferee's manager to complete the training course then in effect for the franchisees in the same manner and upon the terms as the initial training.

- j. If the transferee is a corporation, then the shareholders, directors and officers of the transferee will provide their personal guarantee of all of the Franchisee's obligations under this Agreement and other agreement between the Franchisor and the Franchisee.
- k. Prior to the granting of approval for the transfer of the Franchisee's interest in this Agreement, the Franchisor will be paid in full its transfer, training and processing fees, which will be non- refundable. The fee payable under this section will not exceed the Franchisor's then-current Franchise fee.
- l. Regardless of any transfer by the Franchisee in accordance with this article, the Franchisee and any guarantor of the Franchisee's obligations under this Agreement will remain bound by all of the terms and conditions of this Agreement and any such guarantee.
- m. The transfer must comply with all conditions of the lease or sublease for the Location, including if, obtaining the landlord's consent and the Franchisee must pay all costs required by the in obtaining such consent.
- n. Any transfer of assets of the Franchised Business must be affected in compliance with the requirements of all applicable Bulk Sales legislation.

#### **15.4 Transfer to Holding Corporation, etc.**

In the event that an individual franchisee or franchisees wish to transfer all of their interest under this Agreement to a partnership, corporation, trust or other vehicle which they control, the Franchisor will consent to such a transfer provided that it is first provided with details of the proposed transaction in writing not less than thirty (30) days prior to the proposed transfer. Provided that the transferor will remain fully liable under the Franchise Agreement, the transfer will not be subject to the Franchisor's right of first refusal set out below, nor will the Franchisor's transfer fee be payable in respect of any such transfer, provided that the Franchisee will be required to reimburse the Franchisor for its reasonable legal and administrative expenses incurred in connection with the transfer.

#### **15.5 Franchisor's Right of First Refusal**

The Franchisee or any party holding any interest in the Franchisee or in the Franchised Business and who desires to accept any valid arm's length offer from a third party to purchase its interest in the Franchisee or the Franchised Business will give notice of the offer to the Franchisor, along with a complete copy of the offer, a copy of the Franchisee's most current financial statements, the Franchisor's standard franchise application form completed by the proposed transferee, and a five hundred dollar (\$500) non-refundable payment for considering the request for the transfer (this payment will be applied toward the amount payable under Section 15.3 k. in the event that the Franchisor does not exercise its right of first refusal under this section). The Franchisor will then have the option, exercisable within thirty (30) days after receipt of such material, to send written notice to the seller that the Franchisor or its nominee

intends to purchase the seller's interest on the same terms and conditions offered by the third party. Any change in the terms of any offer prior to closing will constitute a new offer subject to the same rights of first refusal by the Franchisor or its nominee as in the case of an initial offer. Failure of the Franchisor to exercise the option afforded by this section will not constitute a waiver of any other provision of this Agreement.

### **15.6 Transfer Upon Death or Incapacity**

In the event of the death or permanent incapacity of the Franchisee if the Franchisee is a sole proprietor, or any partner if the Franchisee is a partnership, or shareholder if the Franchisee is a corporation (the "Disabled Party"), the legal representative of the Disabled Party together with all surviving partners or shareholders, if any, will jointly apply in writing, within three (3) months of such event, for the right to transfer the interest of the Disabled Party in this Agreement, the lease or sublease, and the Franchised Business to another corporation or person as the legal representative may specify. The Franchisor will grant the right to transfer the interest of the Disabled Party to the proposed transferee upon the fulfillment of all of the conditions set forth in this Agreement, provided that where the proposed transferee is a spouse of the Franchisee, the Franchisor will not charge a new franchisee fee or transfer fee or require that a new franchise agreement be signed provided that all of the Franchisor's other legal, training and administrative costs are paid. Furthermore, in the event that the administration of the estate of the Disabled Party is delayed for any reason, the Franchisor may in its sole discretion agree to extend the time for making an application for transfer of this Agreement. If the legal representative and the other surviving partners or shareholders fail to make the application within the three (3) month period after the death or permanent incapacitation of the Disabled Party, the Franchisor may terminate this Agreement at any time thereafter and the Franchised Business is deemed to have been abandoned.

### **15.7 Non-Waiver of Claims**

The Franchisor's consent to a transfer of any interest in the Franchised Business will not constitute a waiver of any claims it may have against the transferring party, nor will it be considered a waiver of the Franchisor's right to demand exact compliance with any term of this Agreement by the transferee.

### **15.8 Reasonableness**

The Franchisee acknowledges and agrees that each of the conditions of transfer set out in this article which must be met by the Franchisee and the transferee are necessary and reasonable to assure full performance of the Franchisee and Transferee's obligations under this Agreement.

### **15.9 Operation of the Franchised Business by the Franchisor**

In order to prevent any interruption of the business of the Franchised Business or any injury to its goodwill and reputation that would cause harm to the Franchised Business and thereby lower its value, the Franchisee authorizes the Franchisor, and at the option of the Franchisor, to enter upon the Franchisee's business premises and operate and manage the Franchised Business in the event that:

- a. the Franchisee or any of the Franchisee's principals, shareholders or partners is absent or incapacitated by reason of illness or death and that the Franchisee is not, therefore, in the opinion of the Franchisor, able to carry on the normal operation of the Franchised Business; or
- b. upon the happening of some event which affects the Franchisee or any of the principals, shareholders, partners or employees of the Franchisee, which interferes with the normal operation of the Franchised Business;

for so long as the Franchisor considers necessary and practical, and without waiver of any other rights or remedies the Franchisor may have under this Agreement. In the event that the Franchisor should operate the Franchised Business, the Franchisor, at its option, will not be obligated to operate it for a period more than one hundred and twenty (120) days. In such circumstances, the Franchisor will be compensated for all costs and expenses incurred in the operation of the business including, without limiting the generality of the foregoing, any salaries, rent, materials, telephone charges, marketing and promotion expenses necessary to maintain the business. Any deficit is the responsibility of the Franchisee, its heirs, executors, or assignees, and any net income, less costs and expenses referred to herein and less a reasonable management fee to the Franchisor, will be returned to the Franchisee. If the Franchisor elects to temporarily operate the Franchised Business on behalf of the Franchisee, the Franchisee will indemnify and hold harmless the Franchisor from any loss or deficit suffered by the Franchisor as a result of its temporary operation of the Franchised Business, regardless of the cause, and from any and all claims, losses or damages of any nature whatsoever incurred by the Franchisor and its representatives during such operation.

## **ARTICLE 16 - CHANGES AND MODIFICATIONS**

### **16.1 Franchisor's Right to Modify System, etc.**

The Franchisor reserves and will have the right to make changes in the Manual, the System, and the Marks at any time and without prior notice to the Franchisee. The Franchisee will promptly alter any signs, products, business materials, services provided, methods of operation or related items, at its cost and expense, upon receipt of written notice of such change or modification in order to conform with the Franchisor's revised specifications. In the event that any improvement or addition to the Manual, the System, or the Marks is developed by the Franchisee, then the Franchisee grants to the Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sub-license such improvement or addition. Notwithstanding the foregoing, Franchisor reserves no right to modify its System so as to control the essential terms and conditions of employment of Franchisee's employees, including but not

limited to: hiring, firing, discipline, supervision, direction, wages, hours, number of workers, scheduling, seniority, assigning work, or determining the manner or method of performance.

## **16.2 Scope of Change or Modification**

The Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the Franchisor's System must not remain static, in order that it best serve the interests of the Franchisor, all franchisees and the System. Accordingly, the Franchisee expressly understands and agrees that the Franchisor may from time to time change the components of the System, including but not limited to: altering the products, programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying the programs, products and services that the Franchised Business is authorized to offer; and changing, improving or modifying the Marks. The Franchisee agrees to adopt and abide by all such modifications, changes, additions, deletions and alterations.

## **ARTICLE 17 - DEFAULT AND TERMINATION**

### **17.1 Early Termination**

The Franchisor will have the absolute and unfettered right to terminate this Agreement effective upon delivery to the Franchisee of written notice of termination, upon the occurrence of any of the events listed below:

- a. The Franchisee fails to enter into a lease for the Location as required in Section 5.1.
- b. The Franchisee fails to commence to operate the Location as required in Section 5.6.
- c. The Franchisor determines that the Franchisee and/or other designate has not satisfactorily completed the pre-opening training programs to its satisfaction pursuant to Section 9.4 or that the Franchisee has not demonstrated the qualities and abilities necessary for the successful operation of the Franchised Business. In the event that the Franchisor exercises right to terminate the Agreement pursuant to this Section, the Franchisor will refund the Fee to the Franchisee, less the Franchisor's reasonable direct and indirect costs incurred to the date of termination.
- d. Any condition included in this Agreement or any Schedule, whether for the benefit of the Franchisee or the Franchisor, is not satisfied within thirty (30) days of the date of execution this Agreement (or such longer period as may be fixed in writing by the Franchisor).

### **17.2 Default with No Opportunity to Cure**

The Franchisee will be considered to be in default and the Franchisor will have the absolute and unfettered option to terminate this Agreement without affording the Franchisee any opportunity to cure the default, effective immediately, upon the occurrence of any of the events listed below.

- a. The Franchisee or any officer, shareholder, director or partner is convicted of a criminal offence or any other crime that is likely, in the reasonable opinion of the Franchisor, to adversely affect the System, the Mark, the goodwill associated with them, or the Franchisor's interest in them.
- b. The Franchisee or any officer, director, shareholder or partner discloses or divulges the contents of the Manual or other trade secrets or confidential information provided to the Franchisee by the Franchisor, or failed to take the necessary precautions to ensure its employees and agents did not disclose or divulge the contents of the Manual or other confidential information.
- c. A final order is made or resolution passed for the winding up, dissolution or liquidation of the Franchisee.
- d. Any execution, seizure, attachment or similar process is issued against the Franchisee or any creditor of the Franchisee takes any action or proceeding whereby the business premises of the Franchised Business or any of the fixtures, furnishings or property on those premises is taken or seized, unless such execution, attachment or seizure is set aside, discharged or abandoned within fifteen (15) days after its commencement.
- e. The Franchisee attempts to make any bulk sale or remove any part of the fixtures, furnishings or inventory from the business premises of the Franchised Business other than in the normal course of business and without the prior written consent of the Franchisor.
- f. The lease or sublease of the business premises of the Franchised Business is terminated because of the default of the Franchisee without provision being made for continuation of the Franchised Business at an alternate location pursuant to Section 3.2.
- g. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, or if an assignment in bankruptcy is filed by the Franchisee or a petition is filed against and consented to by the Franchisee, or if the Franchisee becomes a bankrupt, or proceedings for the appointment of a receiver or receiver/manager or other custodian (permanent or temporary) of the Franchisee or of the Franchised Business or any portion of the Franchised Business is appointed by any court or creditor of the Franchisee or the Franchised Business or if proceedings for a proposal to the creditors of the Franchisee or the



Franchised Business under any federal, state or provincial or foreign law should be instituted by or against the Franchisee.

- h. The Franchisee abandons, surrenders or fails to carry on normal business operations at the Location within the Territory actively and continuously. Where the Franchisee desires to close the Location for any extended period of time because of holidays or vacation, the prior written consent of the Franchisor must be obtained in each case, which consent will only be granted where the closing will not, in the opinion of the Franchisor, materially and negatively affect the Franchised Business.
- i. The Franchisee purports to transfer any rights or obligations under this Agreement or any lease for the Location to any third party without the Franchisor's prior written consent, or otherwise contrary to the terms of this Agreement.
- j. The Franchisee maintains false books or records or submits any false statements, applications or reports to the Franchisor.
- k. The Franchisee engages in conduct that constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with its sale of the services and products offered by the Franchised Business.
- l. Any other franchise agreement issued to the Franchisee or any principal of the Franchisee, whether or not issued pursuant to this Agreement, is terminated for any reason.
- m. The Franchisee submits at any time during the term of this Agreement a report, financial statement, tax return, schedule or other information or supporting record which understates Gross Sales for any period by more than five percent (5%).
- n. The Franchisee submits any report, financial statement, tax return, schedule or other information or supporting records required under this Agreement, more than fifteen (15) days after the date for delivery as required on three (3) or more occasions during the term of Agreement.
- o. The Franchisee operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public and such manner of operation continues uncorrected after notice to correct same from the Franchisor or the landlord of the Location is delivered to the Franchisee.
- p. The Franchisee receives two or more notices of default under this Agreement within a twelve (12) month period during the term of this Agreement.
- q. The Franchisee or any principal of the Franchisor fails, refuses or neglects to pay any monies owing to the Franchisor or its affiliates or suppliers when due, within five (5) days after receiving written notice from the Franchisor to cure the default.

### **17.3 Default With Thirty (30) Day Opportunity to Cure**

The Franchisee will have thirty (30) days after its receipt from the Franchisor of a written notice of termination to remedy any default described in this section and provide evidence of compliance to the Franchisor. If any such default is not cured within that time, the Franchisor will have the absolute and unfettered option to terminate this Agreement without further notice to the Franchisee effective immediately upon the expiration of the thirty (30) day period. The Franchisee will be in default for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time be supplemented by updates to the Manual, or for any failure to carry out the terms of this Agreement in good faith. Such defaults will include, without limitation, the occurrence of any of the events listed below.

- a. Any employee, agent or independent contractor of the Franchisee is convicted of a criminal offence or any other crime or offence that is reasonably likely, in the opinion of the Franchisor, to adversely affect the System, the Mark, the goodwill associated with them, or the Franchisor's interest in them.
- b. Any employee, agent or independent contractor of the Franchisee discloses or divulges the contents of the Manual or other trade secrets or confidential information provided to the Franchisee by the Franchisor.
- c. The Franchisee, by act or omission, permits a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, for a period of five (5) days after notification of noncompliance 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 from compliance.
- d. The Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated with them or the Franchisor's rights in them.
- e. A transfer is not completed within the designated time following the death or Incapacity of any person with any interest in the Franchised Business or in the Franchisee or upon the dissolution of a Franchisee that is a partnership or corporation, with a person approved by the Franchisor.
- f. The Franchisee engages in any business or markets any service or product under a name or mark which, in the Franchisor's opinion, is confusingly similar to the Marks.
- g. The Franchisee fails to comply with its duties set out in this Agreement, or fails to perform any obligation owing to the Franchisor or to observe any covenant or agreement made by the Franchisee, whether such obligation, covenant or agreement is set forth in this Agreement or any other agreement with the

Franchisor including, but not limited to, any other franchise agreement by and between the Franchisor and the Franchisee or any entity related to the Franchisor.

- h. The Franchisee fails to maintain and submit on time to the Franchisor all reports required pursuant to this Agreement, including but not limited to, financial statements, periodic and other reports of Gross Sales.
- i. The Franchisee and its employees fail to attend and successfully complete any mandatory training program.
- j. The Franchisee fails to maintain any of the standards or procedures or to fully and properly employ the System, Image and Marks designated by the Franchisor in this Agreement, the Manual, any other franchise agreement between the Franchisor and the Franchisee or any other agreement between the parties, or otherwise in writing.
- k. The Franchisee fails to maintain and keep the Location and all equipment in good working order and repair.

In the event that the Franchisee has, in the reasonable opinion of the Franchisor, commenced and maintained all reasonable efforts to cure the default complained of, but the default is not capable of being cured within such a thirty (30) day period, the time available for the franchisee to cure the default may be extended, in the sole reasonable discretion of the Franchisor, for such additional period of time as the Franchisor may deem necessary, provided that at all times the Franchisee continues to diligently and in good faith continue to devote its full efforts to obtaining an immediate cure of the default.

## **ARTICLE 18 - FRANCHISEE'S OBLIGATIONS UPON TERMINATION**

### **18.1 Franchisee's Obligations Upon Termination**

Upon termination or expiration, this Agreement will terminate immediately, and the Franchisee will observe and perform each and every one of the provisions set out below.

- a. The Franchisee will immediately cease to operate the Franchised Business and will not, directly or indirectly, represent to the public or hold itself out as a present or former Pet Passages franchisee.
- b. The Franchisee will immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential method, program, literature, procedure and technique associated the System, the name Pet Passages and any Marks, forms, slogans, signs, symbols or devices associated with the System. In particular, the Franchisee will cease to use, without limitation, all signs, fixtures, furniture, equipment, advertising materials or promotional displays, paper goods, stationery, program material, forms and any other articles which display the Marks associated with the System.

- c. The Franchisee will take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Marks or any other trademark, trade name or service of the Franchisor, and the Franchisee will furnish the Franchisor with evidence satisfactory to the Franchisor of compliance with this obligation within fifteen (15) days after termination or expiration of this Agreement. If the Franchisee fails or refuses to do so, the Franchisor may, in the Franchisee's name, on the Franchisee's behalf and at the Franchisee's expense, execute any and all documents necessary to cause discontinuance of the name Pet Passages or any related name used under this Agreement and the Franchisor is hereby irrevocably appointed by the Franchisee as its attorney to do so.
- d. In the event that this Agreement is terminated, the Franchisor may, at its option, grant other franchises and/or continue to provide services to customers at the Location or within the Territory.
- e. The Franchisee will, within five (5) business days, pay all sums owing to the Franchisor and its subsidiaries, affiliates and suppliers. In the event of termination for any default of the Franchisee, Royalty fees and advertising fund contributions through the entire term of the Agreement shall accelerate and become immediately due and payable to Franchisor, and shall be calculated using the average monthly gross sales over the preceding six months (ex. If there is 6 months left in the franchise term and the average monthly gross sales over the past 6 months was \$10,000.00, then \$3,600 (\$600 per month (6%) x 6 months) in Royalty fees and \$600 (\$100 per month (1%) x 6 months) in advertising fund contributions shall be immediately due and payable to Franchisor). In addition, such amounts will include all damages, costs and expenses, including reasonable legal fees, by the Franchisor as a result of the default, together with interest at the Interest Rate, obligation will give rise to and remain, until paid in full, a lien in favor of the Franchisor any and all of the personal property, machinery, fixtures, equipment and inventory owned by the Franchisee on the premises of the Franchised Business at the time of the default. If the Franchisee is then indebted to the Franchisor by way of loan, mortgage, arrears or otherwise, all indebtedness and obligations will be accelerated and become immediately fully-due and payable.
- f. The Franchisee will pay to the Franchisor all of the Franchisor's damages, costs and expenses, including legal fees and costs, whether legal proceedings are commenced or not, incurred by the Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.
- g. The Franchisee will immediately turn over to the Franchisor all copies of all materials in the Franchisee's possession including the Manual, all records, files, instructions, correspondence, disclosure statements and any and all other materials relating to the operation of the Franchised Business in the Franchisee's

possession (all of which are acknowledged to be the Franchisor's property), and will not retain any copy or record of any of those materials, excepting the Franchisee's copy of this Agreement and of any correspondence between the parties and other documents which the Franchisee reasonably needs for compliance with any provision of law. In addition, the Franchisee will deliver to the Franchisor a complete list of all persons employed by the Franchisee during the three (3) years immediately preceding termination, together with all employment files of each employee on such list. All costs of delivering all material required by this section will be borne by the Franchisee.

- h. The Franchisee will promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of its right to use any telephone number and any regular, classified or other telephone directory listings associated with any Marks and will authorize the transfer of those numbers and listings to or to the direction of the Franchisor. The Franchisee agrees to execute updated letters of direction to any telephone company and telephone listing agencies directing termination and/or transfer of the Franchisee's right to use any telephone number associated with the Marks, which the Franchisor may hold until termination or expiration of in this Agreement. The Franchisee acknowledges that as between the Franchisor and the Franchisee, the Franchisor has the right to and interest in all telephone numbers and directory listings associated with any Marks. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any officer of the Franchisor as its attorney, to direct the appropriate telephone company and all listing agencies to transfer all such listings to the Franchisor or its nominee upon of this Agreement.
- i. The Franchisee will fully cooperate with any exercise by the Franchisor of its option to purchase the tangible assets of the Franchisee upon termination, including execution and delivery of al transfer documentation, and delivery of all tangible assets to be purchased.
- j. The Franchisee will execute any legal documents that may be necessary to carry out any termination or transfer to the Franchisor or its nominee provided for in this Agreement and will furnish to the Franchisor, within thirty (30) days after the effective date of termination, written evidence satisfactory to the Franchisor of the Franchisee's compliance with the obligations set out in this article.
- k. Upon request by Franchisor, Franchisee will immediately assign all of its right, title and interest in and to the lease agreement for the Location to Franchisor. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any officer of the Franchisor as its attorney, to direct the landlord to transfer Franchisee's right, title and interest in lease agreement for the Location to the Franchisor or its nominee upon termination of this Agreement. The Franchisee shall sign the Lease Power of Attorney in the form of Schedule 2 attached hereto, to further evidence the Franchisor's rights hereunder.

1. Other than as specifically set out in this article, the Franchisee will have no interest in the Franchised Business upon termination or expiration of this Agreement, and the Franchisee will continue to be bound by any obligation set out in this Agreement which is expressed or intended to survive the termination or expiration of this Agreement.

## **ARTICLE 19 - ADDITIONAL REMEDIES**

### **19.1 Remedies**

No right or remedy conferred upon or reserved to the Franchisor by this Agreement is intended to be, nor will be considered, exclusive of any other right or remedy under this Agreement or by law or equity provided or permitted, but each will be in addition to every other right or remedy.

### **19.2 Indemnification of the Franchisor**

The Franchisee agrees, during and after the term of this Agreement, to indemnify and save the Franchisor harmless from any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever including legal fees and costs, whether legal proceedings are commenced or not, to which the Franchisor will or may become liable for, or suffer by reason of any breach, violation or non-performance or threatened breach on the part of the Franchisee or, if the Franchisee is a corporation or partnership, any of its directors, officers, shareholders, partners, agents, servants or employees of any term or condition of this Agreement, any other agreement between the Franchisee and the Franchisor, or any lease or sublease of the business premises where the Franchised Business is located and from all claims, damages, suits, costs or rights of any persons, firms or corporations arising from the operation of the Franchised Business by the Franchisee. The indemnity provided for in this section will not apply to the extent that the loss, claim or damage, including legal fees, is caused by the negligence of the Franchisor.

### **19.3 Joint and Several Liability**

If two or more individuals, corporations, partnerships or other entities (or any combination of two or more of them) signs or is subject to the terms and conditions of this Agreement as Franchisee or as guarantor, the liability of each of them under this Agreement will be considered to be joint and several.

### **19.4 Franchisor May Cure Default**

In addition to all other remedies granted in this Agreement, if the Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement, the Franchisor may, at its sole option immediately or at any time thereafter, without waiving any claim for breach and without notice to the Franchisee, cure such default for the account of and on behalf of the Franchisee. The entire cost to the Franchisor of curing any such default is due and payable on demand.

## **19.5 Franchisor's Option to Purchase**

In the event of the termination, expiration or non-renewal of this Agreement for any reason including, but not limited to, a default under Article 17, the Franchisor will have the option for a period of forty-five (45) days following the date of termination to purchase the Franchisee's interest in the tangible assets of the Franchised Business at the fair market value of such assets. In the event that the Franchisor elects to purchase the Franchisee's interest, the Franchisee will also execute an assignment of any applicable commercial lease used solely for the operation of the Franchised Business if requested by the Franchisor. In the event that the Franchisor exercises this option, the Franchisee will, upon presentation of payment for the assets being purchased, deliver a bill of sale with the usual covenants as to title, and comply with all applicable bulk sales laws.

## **19.6 Right of Entry**

Immediately upon termination of this agreement, the Franchisor may enter upon, occupy and use, to the absolute exclusion of the Franchisee, all or any part of the Location and any equipment, improvements, fixtures, furnishings and property located in, on or about the Location and used in connection with the Franchised Business in the conduct of a Pet Passages franchise free of charge. The Franchisor will have the right to take all such action as it, in its absolute discretion, deems necessary or desirable to carry out the rights granted to it by this section. All revenues, monies, profits, benefits and advantages derived from the management and operation of the business throughout the period of occupation will be for the exclusive account of the Franchisor provided the Franchisor will pay and discharge all debts and liabilities incurred by it during the period of its conduct of the business. In addition, the Franchisor may, but will not be obliged to, pay all claims owing by the Franchisee to any creditor of the Franchised Business and any amounts so paid will be charged to and repaid by the Franchisee to the Franchisor immediately upon demand and until repaid will bear interest compounded monthly at the Interest Rate. The Franchisor will have no obligation to retain any employees of the Franchised Business nor to honor any contractual commitments previously made by the Franchisee in connection with the Franchised Business and any liability with respect to such contractual commitments will be exclusively borne and paid by the Franchisee. If the Franchisor elects to retain any such employees, such employment will be pursuant to a new employment agreement between the Franchisor and such employee(s) and will commence their employment on the first business day in which the Franchisor carries on business from the Location. Any claim of such employee(s) for unpaid salary, vacation pay or other benefits arising from employment with the Franchisee will be the responsibility of and be paid by the Franchisee to the exclusion of the Franchisor. The right of the Franchisor to remain in occupation of the Location and to conduct the said business will continue until the expiry of the option period set out in Section 19.5 provided that, if the Franchisor elects to exercise the option set out in Section 19.5, the Franchisor's right of occupation will not expire and will continue throughout the period preceding the closing of such transaction. The occupation by the Franchisor of the Location as set out in this section will not be construed as an assignment of the lease for the Location by the Franchisee and the Franchisor will have no responsibility for payment of any rent or other charges owing under the lease except insofar as they relate to the period of its occupation of the Location.

### **19.7 Injunctive Relief**

Nothing in this Agreement, including any provision for arbitration, will bar the Franchisor's right to obtain injunctive or other specific relief against conduct or threatened conduct that will cause it loss or damage, including loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary, temporary or permanent injunctions.

### **19.8 Setoff by the Franchisor**

Notwithstanding anything contained in this Agreement, upon the failure of the Franchisee to pay the Franchisor as and when due any amount of money provided for in this Agreement, the Franchisor will have the right at its option, to deduct any and all such amounts remaining unpaid from any moneys or credit held by the Franchisor for the account of the Franchisee.

### **19.9 No Setoff by Franchisee**

The payment and performance by the Franchisee of the fees and other obligations under this Agreement are absolute and unconditional, irrespective of any defense or any rights of setoff, or counterclaim that the Franchisee might otherwise have against the Franchisor. The Franchisee will pay, absolutely net, all of the fees due under this Agreement, free of any deductions and without abatement, diminution or setoff. Any defense or right of setoff, or counterclaim must be brought by separate action. The Franchisor will not be bound by any restrictive endorsement on any payment made by the Franchisee. Upon receipt of any payment by the Franchisee, the Franchisor reserves the right to allocate such payment at its discretion, even if the Franchisee has designated the payment for a different purpose or account.

### **19.10 Power of Attorney**

If the Franchisee does not sign and deliver to the Franchisor any document which it is required to sign and deliver pursuant to this Agreement within ten (10) days of receiving the Franchisor's written request, the Franchisee irrevocably appoints the Franchisor as the Franchisee's attorney with full power and authority to sign and deliver in the name of the Franchisee any such document and to do all things necessary to comply in a timely manner with the provisions of this Agreement pursuant to which the power of attorney is being utilized, and the Franchisee agrees to ratify and confirm all such acts of the Franchisor as its lawful attorney and to indemnify and save the Franchisor harmless from all claims, losses, or damages in so acting.

### **19.11 Charges for Late and N.S.F. Payments**

All fees and payments and all amounts due for goods purchased by the Franchisee from time to time from the Franchisor or its affiliates and any other amounts owed to the Franchisor or its affiliates by the Franchisee pursuant to this Agreement or otherwise will bear interest after the due date and until paid in full at the Interest Rate, both before and after default, with interest on overdue interest at the Interest Rate. The acceptance of any payment will not be interpreted as a



waiver by the Franchisor of its rights in respect of the default giving rise to such payment and will be without prejudice to the Franchisor's right to terminate this Agreement as a result of such default. In addition, the Franchisee agrees to pay an administrative fee of \$50 for each and every overdue payment, and for each and every payment that the Franchisee's bank refuses to honor for any reason.

### **19.12 Security to the Franchisor**

As security for the prompt payment, performance and satisfaction of all of the Franchisee's obligations under this Agreement, the Franchisee assigns, transfers and sets over to the Franchisor all of its right, title and interest in and to, and grants to the Franchisor a continuing lien on and security interest, in and to, all of the assets of the Franchisee or the Guarantors used in the Franchised Business, including but not limited to any and all of the personal property, real property, machinery, fixtures, equipment and inventory, wherever located, whether now owned, existing, acquired or arising after this date, together with all replacements, accessions, parts, proceeds, including insurance proceeds, bank accounts and proceeds of proceeds. Upon default by the Franchisee in payment of all or any part of the indebtedness or liability of the Franchisee to the Franchisor or in the performance or observance of any of the provisions of this Agreement, the Franchisor will have the rights and remedies of a secured party under the Uniform Commercial Code, or any equivalent provincial or state legislation. The Franchisor shall have the right in its exclusive discretion to perfect the Franchisor's security interest by filing a UCC-1 Financing Statement without the Franchisee's signature. If the Franchisee is in default, all debts then due and owing by the Franchisee to the Franchisor under this or any other present or future agreement with the Franchisor will, if the Franchisor so elects, become immediately due and payable. The Franchisor will subordinate its security interest to any bank for financing provided by the bank to construct and/or operate the Franchised Business. Until default by the Franchisee, the Franchisee may dispose of inventory and accounts receivable in the ordinary course of business.

### **19.13 Legal Fees**

In the event the Franchisor is made a party to any litigation or is threatened to be made a party to any litigation commenced by or against the Franchisee, and if the Franchisee has breached any of the terms and conditions of this Agreement or is otherwise found at fault to any extent in such litigation, then the Franchisee will indemnify and save the Franchisor harmless against any losses, damages or claims whatsoever arising from that litigation or the breach or default that gave rise to that litigation and will pay all costs and expenses including the full amount of any legal fees, accountants and expert witness fees, costs of investigation, travel and living expenses incurred or paid by the Franchisor in connection with such litigation. Where any provision of this Agreement requires payment of legal fees, the fees payable will be on the basis of a solicitor and his own client, and will include all disbursements and taxes.

### **19.14 Arbitration**

Except for an action to collect monetary damages from the Franchisee or to determine the validity of a portion of this Agreement, or as otherwise specified in this Agreement, any

controversy or claim arising out of or relating to this Agreement or the breach thereof (including, but not limited to contract, tort and statutory claims) shall be settled by arbitration under the auspices of JAMS, pursuant to JAMS applicable arbitration rules and judgment rendered on the arbitration award may be entered in any court having jurisdiction thereof. If Franchisor prevails in any arbitration between the parties to this agreement, Franchisee shall reimburse Franchisor for all reasonable costs associated with resolving the dispute including arbitration and reasonable attorneys' fees. If Franchisee prevails then all arbitration fees shall be borne by Franchisor. The parties agree that New York, New York shall be the site for all hearing held under this paragraph, and that neither party shall pursue class claims and/or consolidate the arbitration with any other proceedings to which the Franchisor is a party.

Prior to the appointment of the arbitrator(s), and within 10 days from the date of commencement of the arbitration, the Franchisor may submit the dispute to JAMS for mediation. If the Franchisor commences mediation under this paragraph, the parties will cooperate with JAMS and with one another in selecting a mediator from JAMS panel of neutrals, and in promptly scheduling the mediation proceedings. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. If the dispute is not resolved within 30 days from the date of the submission of the dispute to mediation (or such later date as the parties may mutually agree in writing), the administration of the arbitration shall proceed forthwith. The mediation may continue, if the parties so agree, after the appointment of the arbitrators. Unless otherwise agreed by the parties, the mediator shall be disqualified from serving as arbitrator in the case.

Any disputes concerning the enforceability or scope of the arbitration clause shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et seq. (FAA), and the Franchisee acknowledges that, notwithstanding any contrary language in this Agreement or in the Franchisor's Uniform Franchise Offering Circular, the FAA preempts any state law restrictions on the enforcement of the arbitration clause in this Agreement according to its terms, including any restrictions on the site of the arbitration.

In the event that any provision of this arbitration agreement is unenforceable, that provision is severable from the remainder of this arbitration clause, and the balance of the arbitration agreement shall remain in full force and effect. In addition, any ruling invalidating any other portion of the Franchise Agreement shall not affect the validity of this arbitration clause.

The Franchisee knows, understands and agrees that it is the intent of the parties that any arbitration between the Franchisor and the Franchisee will be of the Franchisee's individual claims and that the claims subject to arbitration will not be arbitrated on a class-wide basis.

Notwithstanding this arbitration clause, the Franchisor may bring action for injunctive relief in any court having jurisdiction to enforce the Franchisor's trademark or proprietary rights, in order to avoid irreparable harm to the Franchisor, its affiliates, or the franchise system as a whole.

The sole entity against which the Franchisee may seek damages or any remedy under law or equity for any arbitrable claim is the Franchisor or its successors or assigns. The Franchisee agrees that the shareholders, directors, officers, employees, agents and representatives of the Franchisor and of its affiliates, shall not be liable nor named as a party in any litigation or other proceedings commenced by the Franchisee where the claim arises out of or relates to this Agreement.

If, before an Arbitrator's final decision, either the Franchisor or the Franchisee commences an action in any court of a claim that arises out of or relates to this Agreement (except for the purpose of enforcing the arbitration clause or as otherwise permitted by this Agreement), that party will be responsible for the other party's expenses of enforcing the arbitration clause, including court costs, arbitration filing fees and attorneys' fees.

A final award by an arbitrator (there will be no appeal of interim awards or other interim relief), may be appealed within thirty (30) days of such final award. Appeals will be conducted before a three (3) arbitrator panel appointed by the same organization as conducted the arbitration, each member of which shall be experienced in franchising. The arbitration panel will not conduct any trial de novo or other fact-finding function. Such panel's decision shall be in writing, may be entered in any court having jurisdiction, and will be binding, final and non-appealable. On request by either party, the arbitration panel shall provide to all disputants a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitration panel's fees and costs connected therewith.

## **ARTICLE 20 - GUARANTEE**

### **20.1 Guarantee and Indemnity**

In consideration of the Franchisor entering into this Agreement with the Franchisee and in consideration of the sum of ten dollars (\$10.00) and other good and valuable consideration, (the receipt and sufficiency whereof is hereby acknowledged by the Guarantor(s)) the Guarantor(s) hereby unconditionally guarantees to the Franchisor that the Franchisee will pay all amounts to be paid and otherwise observe and perform all terms and conditions to be so observed and performed, either in this Agreement and/or in any other agreement between the Franchisor and the Franchisee. If the Franchisee will default in making any such payments or in the observance or performance of any such obligations, the Guarantor(s) hereby covenants and agrees to pay to the Franchisor forthwith upon demand all amounts not so paid by the Franchisee and all damages that may arise in consequence of any such non-observance or non-performance. Without in any way restricting or limiting the guarantee given by the Guarantor(s) as set out above or any other rights and remedies to which the Franchisor may be entitled, the Guarantor(s) hereby covenants and agrees to indemnify and save the Franchisor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature

whatsoever to which the Franchisor will or may become liable for, or suffer, by reason of any breach, violation or non-performance by the Franchisee of any term or condition of this Agreement, any lease for the Location, or any other agreement made between the Franchisee and the Franchisor. With respect to the guarantee and indemnification provided for herein by the Guarantor(s), the Guarantor(s) covenants and agrees to execute and deliver such separate form of guarantee and/or indemnity evidencing its obligations under the provisions of this section as the Franchisor will in its reasonable discretion determine.

## **20.2 Waiver of Rights to Proceed**

In the enforcement of any of its rights against the Guarantor(s), the Franchisor may in its discretion proceed as if the Guarantor(s) was the primary obligor under this Agreement, any lease for the Location, or any other agreement made between the Franchisee and the Franchisor. The Guarantor(s) hereby waives any right to require the Franchisor to proceed against the Franchisee or to proceed against or to exhaust any security (if any) held from the Franchisee, or to pursue any other remedy whatsoever which may be available to the Franchisor before proceeding against the Guarantor(s). Where two or more individuals have given this guarantee, then their liability will be joint and several. Each Guarantor waives the benefits of division and discussion and acknowledges that his obligations as Guarantor are indivisible. Each Guarantor acknowledges that his guarantee is irrevocable at all times and is a continuing guarantee which will remain in effect until the complete performance of all of the obligations of the Franchisee under this Agreement and/or any other agreement between the Franchisor and the Franchisee and until the Franchisor has released all Guarantors from their obligations in writing.

## **20.3 Any Dealings Binding on Guarantor(s)**

No dealings of whatsoever kind between the Franchisor and the Franchisee and/or any party from whom the right to occupy the Location has been obtained and/or any other persons as the Franchisee may see fit, whether with or without notice to the Guarantor(s), will exonerate, release, discharge or in any way reduce the obligations of the Guarantor(s) in whole or in part, and in particular, and without limiting the generality of the foregoing, the Franchisor may modify or amend this Agreement or any lease for the Location, grant any indulgence, release, postponement or extension of time, waive any term or condition of this Agreement or any lease for the Location or any obligation of the Franchisee, take or release any securities or other guarantees for the performance by the Franchisee of its obligations and otherwise deal with the Franchisee and/or any party from whom the right to occupy the Location has been obtained and/or any other persons as the Franchisor may see fit without affecting, lessening or limiting in any way the liability of the Guarantor(s). The Guarantor(s) hereby expressly waives notice of all or any default of the Franchisee.

## **20.4 Settlement Binding on Guarantor(s)**

Any settlement made between the Franchisor and/or the Franchisee and/or any party from whom the right to occupy the Location has been obtained and/or any other persons as the Franchisor may see fit to deal with, or any determination made pursuant to this Agreement or

any lease for the Location which is expressed to be binding upon the Franchisee, will be binding upon the Guarantor(s).

## **20.5 Bankruptcy of the Franchisee**

Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or any other act of insolvency by the Franchisee and notwithstanding any rejection, disaffirmation or disclaimer of this Agreement, the Guarantor(s) will continue to be fully liable hereunder.

## **20.6 Guarantor's Covenants Binding**

Without in any way limiting the generality of any other section of this Agreement, the covenants and agreement of the Guarantor(s) contained in this section will enure to the benefit of and be binding upon the Guarantor(s) and the heirs, executors, administrators, successors and assigns of the Guarantor(s).

## **20.7 Guarantor(s) to be Bound**

The Guarantor(s) acknowledges reviewing all of the provisions of this Agreement and agrees to abide and be bound by all of the provisions of the Agreement insofar as they apply to him or them.

# **ARTICLE 21 - STATUS OF PARTIES**

## **21.1 Independent Contractor**

This Agreement does not create a fiduciary relationship. The Franchisee will be an independent contractor. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee or servant of the other for any purpose whatsoever. Franchisor shall have no control over the essential terms and conditions of employment of Franchisee's employees, including but not limited to: hiring, firing, discipline, supervision, direction, wages, hours, number of workers, scheduling, seniority, assigning work, or determining the manner or method of performance. The Franchisee will have the right to profit from its efforts, commensurate with its status as owner of the Franchised Business, and correspondingly will bear the risk of loss or failure that is characteristic of this status notwithstanding the affiliation with the System created by this Agreement.

## **21.2 Holding Out to Public**

During the term or any renewal of this Agreement, the Franchisee will hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license from the Franchisor. The Franchisee agrees to take such affirmative action as may be necessary to do so, as the Franchisor may specify in the Manual or otherwise in writing.

### **21.3 No Liability**

It is understood and agreed that nothing in this Agreement authorizes the Franchisee to make any contract, agreement, warranty or representation on the Franchisor's behalf, or to incur any debt or other obligation in the Franchisor's name, and that the Franchisor will in no event assume liability for, or be considered liable as a result of, any such action, or by reason of any act or omission of the Franchisee in its conduct of the Franchised Business or any claim or judgment against the Franchisee. The Franchisee will indemnify and hold the Franchisor harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with the Franchisee's operation of the Franchised Business, as well as the costs, including legal fees, of defending against them.

### **21.4 Identification**

The Franchisee will conspicuously identify itself and the Franchised Business in all dealings with its customers, contractors, suppliers, public officials and others as an independent Franchisee of the Franchisor, and will place such notice of independent ownership on all forms, business cards, stationery, advertising, signs, checks and other materials and in such fashion as the Franchisor may, in its discretion, require from time to time in the Manual or otherwise.

## **ARTICLE 22 - GENERAL PROVISIONS**

### **22.1 Amendments**

Any amendment or modification of this Agreement is invalid unless made in writing and signed by the Franchisor, the Franchisee and the Guarantors.

### **22.2 Further Assurances**

Each of the parties agrees to sign and deliver such other documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and cause to be done and any other acts and things necessary or desirable in order to give full effect to this Agreement.

### **22.3 Notice**

Any notice required or permitted to be given under this Agreement will be in writing and may be given by personal service, sent by pre-paid courier or by pre-paid certified mail, in a sealed envelope addressed to:

**The Franchisee:**

**The Franchisor:**

Pet Passages Franchising, Inc.  
348 State Route 104  
Ontario, New York 14519

With a copy to:

Dawson Law Firm, P.C.  
1844 Penfield Road  
Penfield, New York 14526

The address given for the delivery of a notice may be changed at any time by either party by written notice in accordance with this section. Any notice delivered personally or by courier will be considered received on the day delivered. Any notice sent by certified mail will be considered received on the fifth (5th) business day following the date of mailing.

**22.4 Written Consent**

Whenever this Agreement requires the prior approval or consent of the Franchisor, the Franchisee will make a timely written request to the Franchisor for such approval or consent, and such approval or consent will be obtained in writing. The Franchisor may grant or deny its approval or consent in its sole, absolute and unfettered discretion, with or without reason or consideration.

**22.5 No Waiver**

No failure of the Franchisor to execute any power reserved to it by this Agreement, or to insist upon strict compliance by the Franchisee with any obligation or condition of this Agreement, and no custom or practice of the parties that differs from the terms of this Agreement, will constitute a waiver of the Franchisor's right to demand exact compliance with any of the terms of this Agreement. Waiver by the Franchisor of any particular default by the Franchisee will not affect or impair the Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor will any delay, forbearance or omission of the Franchisor to exercise any power or right arising out of any breach or default by the Franchisee of any of the terms, provisions or covenants, affect or impair the Franchisor's right to exercise any of its powers or rights, nor will such constitute a waiver by the Franchisor of any right under this Agreement, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by the Franchisor of any payments due to it under this Agreement will not be considered to be a waiver by the Franchisor of any preceding breach of the Franchisee of any terms, covenants or conditions of this Agreement.

## **22.6 Uncontrollable Circumstances**

Delays in the performance of any duties under this Agreement that are not within the reasonable control of the parties including fire, flood, natural disaster, act of God, governmental acts or orders or civil disorder, including strikes, will not cause a default under this Agreement and the other party will, upon notice, extend the time for performance for the period of such delay or for such other reasonable period of time as may reasonably be required.

## **22.7 Governing Law**

This Agreement will be interpreted in accordance with the laws of the State of New York.

## **22.8 Jurisdiction and Venue**

The parties agree that, subject to the arbitration provisions of this Agreement, any permitted action brought by either party against the other will be commenced and continued in the county of Monroe, State of New York.

## **22.9 Counterparts**

This Agreement may be signed and delivered in counterparts, each of which will be considered to be an original, and all of which together will constitute one and the same instrument.

## **22.10 Entire Agreement**

THIS AGREEMENT, WHEN FULLY EXECUTED, WILL SUPERSEDE ANY AND ALL PRIOR AND EXISTING AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS AND DISCUSSIONS, EITHER ORAL OR IN WRITING, BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT. EXCEPT AS SPECIFICALLY SET OUT IN THIS AGREEMENT, THERE ARE NO REPRESENTATIONS, WARRANTIES, UNDERTAKINGS, PROVISIOES, INDUCEMENTS, COVENANTS OR AGREEMENTS WHETHER DIRECT, INDIRECT, COLLATERAL, EXPRESS OR IMPLIED MADE BY THE FRANCHISOR TO THE FRANCHISEE.

## **22.11 Disclaimer**

THE FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT IS SPECULATIVE AND INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITIES OF THE FRANCHISEE. THE FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND THE FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY REPRESENTATION, WARRANTY, PROMISE, INDUCEMENT OR GUARANTEE, EXPRESS OR IMPLIED, ORAL OR WRITTEN, AS TO THE POTENTIAL VOLUME,



PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR OTHERWISE WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT.

#### **22.12 Investigation and Voluntary Agreement**

THE FRANCHISEE ACKNOWLEDGES THAT IT HAS RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT. THE FRANCHISEE ACKNOWLEDGES THAT THE FRANCHISOR HAS PROVIDED THE FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF ITS OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT. THE FRANCHISEE IS ENTERING INTO THIS AGREEMENT VOLUNTARILY, AND WITHOUT THREAT, DURESS OR COMPULSION WHATSOEVER.

#### **22.13 Language Clause**

The parties to this Agreement acknowledge having required that this Agreement as well as all notices, documents or agreements related to this Agreement be drafted in English. Les parties aux présentes reconnaissent avoir exigé que la présente convention ainsi que tous avis, documents ou ententes s’y rapportant soient rédigés en anglais.

#### **22.14 Date of Execution**

This Agreement has been signed, sealed and delivered by the parties \_\_\_\_\_, 20\_\_\_\_.

**Pet Passages Franchising, Inc. (the "Franchisor"):**

\_\_\_\_\_  
**Michael Harris, President**

\_\_\_\_\_ (the "Franchisee"):

\_\_\_\_\_  
**Guarantors:**

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

## **Schedule 1 -- Irrevocable Power of Attorney - Telephone**

### **Appointment**

The undersigned hereby irrevocably nominates, constitutes and appoints Pet Passages Franchising, Inc. ("Pet Passages"), its true and lawful Attorney in its name, place and stead, and for the sole use and benefit of Pet Passages, in connection with any and all telephone numbers or telephone directory advertisement or listings containing or using the name "Pet Passages" or any other trade-names or trade-marks now or in the future used or owned by Pet Passages;

### **Scope of Powers**

For all and every of the purposes set out above, the undersigned grants and gives to Pet Passages as our Attorney full and absolute power and authority to do and execute all acts, deeds, matters and things necessary to be done, and also to commence, institute and prosecute all actions, suits and other proceedings which may be necessary or expedient as fully and effectually to all intents and purposes as we could do if personally present and acting therein, and also with full power and authority to Pet Passages as our Attorney to appoint a substitute or substitutes and such substitution at pleasure to be revoked. We hereby ratify, confirm and agree to ratify and confirm and allow all and whatsoever our said Attorney or said substitute or substitutes will lawfully do or cause to be done in respect of the aforesaid purposes.

### **Date of Execution**

This irrevocable Power of Attorney has been signed, sealed and delivered on \_\_\_\_\_, 20\_\_.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Schedule, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Schedule and be bound by it. The parties have duly executed and delivered this Power of Attorney on \_\_\_\_\_, 20\_\_.

**PET PASSAGES FRANCHISING, INC. :**

**FRANCHISEE :**

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

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

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

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

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

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

## **SCHEDULE 2: IRREVOCABLE POWER OF ATTORNEY – LEASE**

### **Appointment**

The undersigned hereby irrevocably nominates, constitutes and appoints Pet Passages Franchising, Inc., a New York corporation with its principal office at 348 State Route 104, Ontario, New York 14519 ("Pet Passages"), its true and lawful Attorney in its name, place and stead, and for the sole use and benefit of Pet Passages, in connection with any and all leases, subleases, or assignments of real property for a franchised Pet Passages Location (the "Franchised Business");

### **Scope of Powers**

For all and every of the purposes set out above, the undersigned grants and gives to Pet Passages as our Attorney full and absolute power and authority to do and execute all acts, deeds, matters and things necessary to be done, and also to commence, institute and prosecute all actions, suits and other proceedings which may be necessary or expedient as fully and effectually to all intents and purposes as we could do if personally present and acting therein, and also with full power and authority to Pet Passages as our Attorney to appoint a substitute or substitutes and such substitution at pleasure to be revoked. We hereby ratify, confirm and agree to ratify and confirm and allow all and whatsoever our said Attorney or said substitute or substitutes will lawfully do or cause to be done in respect of the aforesaid purposes.

### **Date of Execution**

This irrevocable Power of Attorney has been executed on the date set forth below.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Schedule, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Schedule and be bound by it. The parties have duly executed and delivered this Power of Attorney on \_\_\_\_\_, 20\_\_.

**PET PASSAGES FRANCHISING, INC. :**

**FRANCHISEE :**

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

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

## **SCHEDULE 3: GUARANTEE AGREEMENT**

### **PERSONAL GUARANTY**

For value received, the undersigned do hereby jointly and severally (if more than one undersigned) and unconditionally guaranty unto Pet Passages Franchising, Inc., a New York corporation with its principal office at 348 State Route 104, Ontario New York 14519, and its successors and assigns (the “Franchisor”) the full payment and performance of \_\_\_\_\_, a(n) \_\_\_\_\_ (the “Franchisee”) under the terms and covenants of that certain Franchise Agreement between Franchisor and Franchisee, dated \_\_\_\_\_, 20\_\_ (the “Agreement”) including, without limitation, interest and all other sums due thereunder and attorneys’ fees and costs incurred in the enforcement of the Agreement or this Personal Guaranty.

The obligations of the undersigned pursuant to this Personal Guaranty are joint and several, primary, and independent of the obligation of Franchisee. This Personal Guaranty is a guarantee of payment and performance and not of collection, and a separate action or actions may be brought and prosecuted against the undersigned regardless of whether an action is brought against Franchisee or whether Franchisee is joined in any such action or actions. This is a continuing guaranty relating to the Agreement, including indebtedness arising under successor agreements or other transactions that continue the Agreement or from time to time renew or extend it. The undersigned authorizes Franchisor without notice or demand and without affecting their liability hereunder from time to time to: (a) change the amount of or the time for payment or any of the other terms and covenants of the Agreement; (b) take and hold security for the payment of this Personal Guaranty, and to renew, compromise, exchange, transfer, enforce, waive and release any such security; (c) apply such security and direct the order or manner of sale thereof as Franchisor in its discretion may determine; (d) release or substitute any one or more of the undersigned guarantors; (e) bid and purchase at any sale of security for this Personal Guaranty; (f) assign or transfer all or any part of its interest in the Agreement; and (g) assign this Personal Guaranty in whole or in part. The undersigned waive any right to require Franchisor to proceed against Franchisee, or proceed against or exhaust security for the indebtedness evidenced hereby, or pursue any other remedy in Franchisor’s power whatsoever. Each of the undersigned, if constituting married persons, expressly agrees that recourse may be made against their marital community and their separate property and in such order and manner as Franchisor may elect. The undersigned waive any defense arising by reason of any disability or defense of Franchisee or by reason of the cessation from any cause whatsoever of the liability of Franchisee. The undersigned waive all presentments, demands or performance, notice of nonperformance, protest, notice of protest, notices of dishonor and notices of acceptance of this Personal Guaranty and of the existence, creation or incurring of new or additional obligations. Until all obligations of Franchisee under the Agreement have been paid and satisfied in full, the undersigned shall have no right of subrogation and waive any right to enforce any remedy which Franchisor now has or hereafter may have against Franchisee, and further waive any benefit of, and any right to participate in any security now or hereafter held by Franchisor. This Personal Guaranty shall bind the undersigned’s heirs, administrators, personal representatives, successors, and assigns, and shall inure to the benefit of Franchisor and its successors and assigns including, without limitation, any party to whom Franchisor may assign any interest in the Agreement, and the

undersigned hereby waives notice of any such assignment. All of Franchisor's rights are cumulative and not alternative. This Personal Guaranty shall be governed by and construed and enforced under New York law.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Schedule, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Schedule and be bound by it.

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

**PET PASSAGES FRANCHISING, INC. :**

**GUARANTOR :**

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

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

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

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

## **SCHEDULE 4: NON-DISCLOSURE AGREEMENT**

### **NON-DISCLOSURE AGREEMENT**

The undersigned party (the “Receiving Party”) understands that Pet Passages Franchising, Inc., a New York corporation with its principal office at 348 State Route 104, Ontario New York 14519 (the “Disclosing Party”) has disclosed or may disclose information relating to the Disclosing Party’s business which to the extent previously, presently, or subsequently disclosed to the Receiving Party is hereinafter referred to as “Proprietary Information” of the Disclosing Party

In consideration of the parties’ discussions and any access of the Receiving Party to Proprietary Information of the Disclosing Party, the Receiving Party hereby agrees as follows:

1. The Receiving Party agrees: (i) to hold the Disclosing Party’s Proprietary Information in confidence and to take reasonable precautions to protect such Proprietary Information (including, without limitation, all precautions the Receiving Party employs with respect to its confidential materials); (ii) not to divulge any such Proprietary Information or any information derived therefrom to any third person, except to a professional advisor such as a lawyer or accountant (and then solely for the purposes in (iii) below); (iii) not to make any use whatsoever at any time of such Proprietary Information except to evaluate its relationship with the Disclosing Party; (iv) not to copy any such Proprietary Information; and (v) not to export or re-export (within the meaning of U.S. or other export control laws or regulations) any such Proprietary Information or product thereof. Without granting any right or license, the Disclosing Party agrees that the foregoing shall not apply with respect to any information after five years following the disclosure thereof or any information that the Receiving Party can document (i) is or becomes (through no improper action or inaction by the Receiving Party or any affiliate, agent, consultant or employee) generally available to the public, or (ii) was in its possession or known by it without restriction prior to receipt from the Disclosing Party or (iii) was rightfully disclosed to it by a third party without restriction, or (iv) was independently developed without use of any Proprietary Information of the Disclosing Party by employees of the Receiving Party who have had no access to such information. The Receiving Party may make disclosures required by law or court order provided the Receiving Party uses diligent reasonable efforts to limit disclosure and to obtain confidential treatment or a protective order and has allowed the Disclosing Party to participate in the proceeding. The Receiving Party, its affiliates and their respective directors, officers, and employees shall refrain from using for any purpose any “residuals” from access to the Proprietary Information. “Residuals” means information in non-tangible form which may be retained by persons who had access to Proprietary Information, including ideas, concepts, know-how, methods or techniques.
2. Immediately upon a request by the Disclosing Party at any time the Receiving Party will turn over to the Disclosing Party all Proprietary Information of the Disclosing Party and all documents or media containing any such Proprietary Information and any and all copies or extracts thereof. The Receiving Party understands that nothing herein (i) requires the

disclosure of any Proprietary Information of the Disclosing Party or (ii) requires the Disclosing Party to proceed with any transaction or relationship.

3. This Agreement applies only to disclosures made before the first anniversary of this Agreement. The Receiving Party acknowledges and agrees that due to the unique nature of the Disclosing Party's Proprietary Information, there can be no adequate remedy at law for any breach of its obligations hereunder, which breach may result in irreparable harm to the Disclosing Party, and therefore, that upon any such breach or any threat thereof, the Disclosing Party shall be entitled to appropriate equitable relief in addition to whatever remedies it might have at law. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect. This Agreement shall be governed by the law of the State of New York without regard to the conflicts of law provisions thereof. This Agreement supersedes all prior discussions and writings and constitutes the entire agreement between the parties with respect to the subject matter hereof. The prevailing party in any action to enforce this Agreement shall be entitled to reasonable costs and attorney's fees. No waiver or modification of this Agreement will be binding up a party unless made in writing and signed by a duly authorized representative of such party and no failure or delay in enforcing any right will be deemed a waiver.

Receiving Party:

Date:

\_\_\_\_\_  
Authorized representative of

\_\_\_\_\_

Disclosing Party:

Date:

\_\_\_\_\_  
Authorized representative of  
Pet Passages Franchising, Inc.

\_\_\_\_\_

**WISCONSIN AMENDMENT**  
**TO PET PASSAGES FRANCHISE AGREEMENT**

In recognition of the requirements of the Wisconsin Dealership Practices Law the parties to the attached Franchise Agreement (the "Agreement") agree as follows:

1. Notwithstanding the terms set forth in Section 17, or elsewhere in the Agreement, Franchisor will not terminate, cancel, fail to renew or substantially change the competitive circumstances of the Agreement without good cause.
2. Notwithstanding the terms set forth in Section 17, or elsewhere in the Agreement, except as provided in this section, Franchisor shall provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances of the Agreement. The notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and shall provide that the dealer has 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days the notice shall be void. The notice provisions of this section shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Agreement, the Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.
3. Notwithstanding anything contained in the Agreement, if the Agreement is terminated by the Franchisor, the Franchisor, at the option of the Franchisee, shall repurchase all inventories sold by the Franchisee to the Franchisee for resale under the Franchise Agreement at the fair wholesale market value. This section applies only to merchandise with a name, trademark, label or other mark on it which identifies the Franchisor.



## **SCHEDULE 5: TERRITORY**

EXHIBIT “D”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**Table of Contents to Manual**

*[See Attached]*

---

**PET PASSAGES**  
**FRANCHISE OPERATIONS MANUAL**  
**Master Table of Contents**



**A. INTRODUCTION**

Letter from the Co-Founders .....	A-1
History and Philosophy of Pet Passages Franchising, Inc. ....	A-3
The Pet Passages Code of Good Conduct .....	A-5
Services of the Franchisor Organization .....	A-6
Responsibilities of a Pet Passages Franchisee.....	A-9
Visits from the Corporate Office .....	A-12
Your Field Consultant.....	A-13
Field Visit Confirmation.....	A-15
Franchise Survey Form .....	A-16

**B. ESTABLISHING A PET PASSAGES BUSINESS**

Introduction .....	B-1
Selecting Your Business Type .....	B-2
Your Status as a Franchisee .....	B-7
Required Insurance Coverages.....	B-9
Required Bank Accounts.....	B-11

---

## Master Table of Contents

Page 2

### **B. ESTABLISHING A PET PASSAGES BUSINESS (continued)**

Licenses and Permits .....	B-13
Recommended Professional Memberships.....	B-16
Selecting and Developing Your Site .....	B-17
Required Lease Inclusions .....	B-20
The Pet Passages Décor Specifications .....	B-22
Equipment and Supplies Lists .....	B-23
List of Required Pet Care Center Equipment and Supplies .....	B-24
List of Required Office Equipment and Supplies.....	B-26
Contracting Utilities and Services.....	B-27
Selecting the Right Telephone Service .....	B-29
Vehicle Specifications.....	B-31
The Pet Passages Logo Specifications .....	B-32
Sample Pet Passages Logo .....	B-33
Sample Business Card .....	B-34
Standards of Cleanliness.....	B-35
Paying Taxes.....	B-36
Federal Taxes .....	B-39
State Taxes .....	B-42
County or Town Taxes .....	B-44
Federal Tax Filing Checklist.....	B-45

---

## Master Table of Contents

Page 3

### **B. ESTABLISHING A PET PASSAGES BUSINESS (continued)**

Paying Additional Fees.....	B-46
-----------------------------	------

### **C. PERSONNEL**

Introduction .....	C-1
Contacting the U.S. Department of Labor and Local State Labor Bureaus .....	C-2
Complying with the Department of Homeland Security .....	C-3
Form I-9 .....	C-5
The Pet Passages Policy on Sexual Harassment .....	C-8
Job Descriptions .....	C-9
Owner/Manager .....	C-10
Pet Care Specialist .....	C-16
Pet Care Coordinator .....	C-20
A Profile of the Ideal Pet Passages Employee .....	C-22
The Recruitment and Selection Process .....	C-25
Protecting the Pet Passages System .....	C-28
Sample Non-Disclosure and Non-Competition Agreement .....	C-29
Opening Personnel Files .....	C-31

---

## Master Table of Contents

Page 4

### C. PERSONNEL (continued)

Orientation and Training of Personnel.....	C-32
Sample Form W-4 .....	C-34
New Employee Training Outline.....	C-36
 The Introductory Period .....	C-38
 Scheduling Employees.....	C-39
Employee Phone List .....	C-41
 Time Reporting Procedures .....	C-42
Time Reporting Guidelines.....	C-44
 The Pet Passages Dress Code .....	C-45
 Establishing Personnel Policies.....	C-47
Personnel Policy Worksheet .....	C-48
 Evaluating Employees.....	C-53
Employee Progress Report .....	C-55
 Discipline and Termination .....	C-56
Statement of Warning.....	C-59
Separation Notice.....	C-60

---

## Master Table of Contents

Page 5

### D. DAILY PROCEDURES

Introduction .....	D-1
Suggested Business Hours .....	D-2
Daily Opening and Closing Duties.....	D-3
Pet Passages Pet Cremation Software Program .....	D-4
Procedures for Accepting Payment.....	D-6
Accepting Cash .....	D-7
Accepting Checks.....	D-8
Accepting Credit Cards .....	D-11
The Daily Cash Report .....	D-12
Preparing the Bank Deposit.....	D-13
Cash Control.....	D-14
Sales Practices.....	D-16
Sample Secure ID & Cremation Authorization Form.....	D-18
Sample Pet Parents Gateway Flyer .....	D-19
Cremation Options.....	D-20
Pet Print and Certificate of Cremation .....	D-21
Sample Memorial Booklet .....	D-22
Sample Envelope for Memorial Booklet .....	D-26

---

## Master Table of Contents

Page 6

### **D. DAILY PROCEDURES (continued)**

Pricing Pet Passages Services and Merchandise .....	D-27
Sample Price List of Services .....	D-28
Merchandise Displays .....	D-29
Pet Transfer Service .....	D-30
Pet Viewings .....	D-31
Witnessing a Cremation .....	D-35
Franchise Reporting Requirements and Procedures .....	D-36
Gross Sales Report .....	D-38
Advertising Activity Report.....	D-39
Preparing Financial Statements .....	D-40
Pet Passages Model Chart of Accounts .....	D-41
Sample Income Statement Format.....	D-43
Sample Balance Sheet Format.....	D-44
Client Service .....	D-45
Handling Client Complaints .....	D-49
Professional Knowledge .....	D-52
Merchandise Returns, Refunds, and Exchanges .....	D-53
Conducting Inventory .....	D-55
Ordering Inventory .....	D-56
Receiving Inventory.....	D-58
Inventory Storage.....	D-59



---

## Master Table of Contents

Page 7

### D. DAILY PROCEDURES (continued)

Using Approved Sources .....	D-60
List of Approved Suppliers.....	D-61
Request to Change of Supplier/Supply.....	D-65
 Cleaning and Maintenance Procedures .....	D-66
 Safety in Your Facility .....	D-70
 Client Injury/Illness .....	D-75
 Employee Injury/Illness .....	D-76
 Security Tips .....	D-77

### E. CREMATION PRACTICES

Introduction .....	E-1
 Pre-Cremation Verification .....	E-2
 Paw Printing .....	E-4
 Pre-Cremation Procedures.....	E-6
Sample Cremation Log.....	E-7
Sample Temperature Chart.....	E-8
 Cremation Procedures .....	E-9

---

## Master Table of Contents

Page 8

### E. CREMATION PRACTICES (continued)

Post-Cremation Procedures .....	E-10
Processing Station Procedures .....	E-12
Encasement/Packaging Procedures .....	E-13
Sample Family Grieving Booklet .....	E-15
The Follow-up Call or Email .....	E-16
Communal Cremations.....	E-17

### F. SELLING AND MARKETING PET PASSAGES SERVICES

Introduction .....	F-1
Prospect Identification .....	F-2
Generating Leads .....	F-4
Prospecting for New Clients .....	F-7
Prospect Management .....	F-12
Sales Presentations.....	F-13
Sales Materials .....	F-16
Selling Pet Passages Pet Cremation Services to a Prospective Client.....	F-17
Sample <i>A Guide to Planning Ahead</i> Booklet.....	F-20
Maintaining Client Lists.....	F-21

---

## Master Table of Contents

Page 9

### **F. SELLING AND MARKETING PET PASSAGES SERVICES (continued)**

The Pet Passages Advertising Program .....	F-22
The Value of Advertising .....	F-26
The Grand Opening.....	F-28
Developing a Local Advertising Program .....	F-32
Yellow Pages .....	F-33
Newspapers and Magazines .....	F-34
Brochures .....	F-37
Direct Mail.....	F-38
Flyers.....	F-41
Cash Register Tapes.....	F-42
Billboards.....	F-43
Vehicle Decals.....	F-44
Radio .....	F-45
Television .....	F-46
Corporate Website .....	F-47
Internet Advertising.....	F-48
Email Messages .....	F-49
Specialty Advertising .....	F-50
Publicity .....	F-51
Sample Press Release Format .....	F-52
Word-of-Mouth Advertising.....	F-53
Community Involvement .....	F-55
Guidelines for Using Pet Passages' Marks .....	F-57
Sample Pet Passages Marks .....	F-59

---

## Master Table of Contents

Page 10

### **F. SELLING AND MARKETING PET PASSAGES SERVICES (continued)**

Ordering Advertising Materials from the Franchisor .....	F-60
Advertising Materials Order Form .....	F-63
Obtaining Approval for Advertising Concepts and Materials .....	F-64
Request for Advertising Approval .....	F-65

EXHIBIT “E”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**List of Franchisees as of December 31, 2023**

Stone Family Cremation Services Inc.  
125 Bullet Hill Road North  
Southbury, CT 06488  
(203) 263-2146

VHawkins, LLC  
10178 U.S. 71  
Fouke, AR 71837  
(870) 653-2458

Lady LuLu Enterprises Inc.  
31039 Schoolcraft  
Livonia, MI 48150  
(734-855-7029

Patti and Bobby Enterprises, LLC  
9070 130<sup>th</sup> Ave N  
Largo, FL 33773  
(727) 518-0147

Emma’s Eternal Light, Inc.  
1040 Owego Rd  
Candor, NY 13743  
607-236-4122

Mayzie, Inc.  
4577 S. Lapeer Road, Ste I  
Lake Orion, MI 48359  
248-499-8446

Mohawk Valley Pet Tributes, LLC  
7507 State Route 5, Building B  
Little Falls, NY 13365  
315-743-0218

STCP Enterprises, LLC  
2 Concord Rd  
Lee, NY 03861  
603-397-5070

Check Zero Consulting, LLC  
1470 E. Independence Blvd  
Indian Trail, NC 28079  
704-628-5052

JM Barnes, LLC  
2223 1<sup>st</sup> Ave North  
Billings, MT 59101  
406-697-1465

TIB Enterprise, LLC  
3209 Thomas Rd  
Oklahoma City, OK 73179  
405-768-2221

Scott Wittman  
1330-2 MacDade Blvd  
PO Box 187  
Woodlyn, PA 19094  
610-455-4072

Best Friend LLC (signed but unopened)  
320 N Ridge Road  
Marble Falls, TX 78654  
830-220-5505

TX VIZ 444, LLC (signed but unopened)  
15596 Highway 160  
Blue Ridge, Texas 75424

**Affiliate Owned**

MindyAnn, Inc.  
348 State Route 104  
Ontario, NY 14519  
(585) 265-9933

Ellis Wallace Enterprises, Inc.  
110 Eunice St  
Lafayette, LA 70508  
337-534-0098

MindyAnn, Inc.  
2825 Business Center Blvd C-3  
Melbourne, FL 32940  
(321) 254-3333

MindyAnn, Inc.  
2599 W Ridge Rd,  
Rochester, NY  
(585) 505-6955

**List of Licensees as of December 31, 2023**

n/a

### **Former Franchisees and Licensees**

31291 Northridge, Inc.  
31291 Townline Road  
Philadelphia, PA 13673  
315-286-2192

EXHIBIT “F”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**Financial Statements**

*[See Attached]*



# Pet Passages Franchising, Inc.

## Profit and Loss January - June, 2024

	TOTAL
Income	
Advertising Royalty Fee	18,921.16
Franchise Fee Income	105,000.00
Franchise Royalty Fee	75,636.29
<b>Total Income</b>	<b>\$199,557.45</b>
GROSS PROFIT	<b>\$199,557.45</b>
Expenses	
Advertising and Promotion	32,331.91
Bank Service Charges	105.10
Corp Taxes	275.00
Legal Fees	169.95
NYS PTET	4,478.69
Office Supplies	546.80
Professional Fees	9,599.90
Rent Expense	11,000.00
Software Lease	43,500.00
Uncategorized Expense	15,253.61
<b>Total Expenses</b>	<b>\$117,260.96</b>
NET OPERATING INCOME	<b>\$82,296.49</b>
Other Expenses	
Ask My Accountant	458.35
<b>Total Other Expenses</b>	<b>\$458.35</b>
NET OTHER INCOME	<b>\$ -458.35</b>
NET INCOME	<b>\$81,838.14</b>

# Pet Passages Franchising, Inc.

## Balance Sheet As of June 30, 2024

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Advertising Account- 2569	13,610.37
Lyons Checking- 1332	1,584.38
<b>Total Bank Accounts</b>	<b>\$15,194.75</b>
Accounts Receivable	
Accounts Receivable	0.00
<b>Total Accounts Receivable</b>	<b>\$0.00</b>
Other Current Assets	
Loan To MEMI	0.00
Loan To MindyAnn, Inc	0.00
Loan to Pet Passages, Inc.	52,000.00
<b>Total Other Current Assets</b>	<b>\$52,000.00</b>
<b>Total Current Assets</b>	<b>\$67,194.75</b>
Fixed Assets	
Accumulated Amortization	-8,802.08
Accumulated Depreciation	-181.00
Leasehold Improvements	2,500.00
Start-Up Costs	22,006.25
<b>Total Fixed Assets</b>	<b>\$15,523.17</b>
Other Assets	
Due From Shareholder	0.00
<b>Total Other Assets</b>	<b>\$0.00</b>
<b>TOTAL ASSETS</b>	<b>\$82,717.92</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Loan from MEMI	0.00
Loan From Pet Passage Franchise	0.00
Loan from Shareholder	0.00
<b>Total Other Current Liabilities</b>	<b>\$0.00</b>
<b>Total Current Liabilities</b>	<b>\$0.00</b>
Long-Term Liabilities	
Due To Related Party - Pet Pass	0.00
Loan From MindyAnn, Inc	0.00
<b>Total Long-Term Liabilities</b>	<b>\$0.00</b>
<b>Total Liabilities</b>	<b>\$0.00</b>

# Pet Passages Franchising, Inc.

## Balance Sheet

As of June 30, 2024

	TOTAL
Equity	
APIC	0.00
Common Stock	150.00
Retained Earnings	172,929.78
Shareholder Distributions	-172,200.00
Net Income	81,838.14
<b>Total Equity</b>	<b>\$82,717.92</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$82,717.92</b>



## CONSENT

Thaney & Associates, CPA's, PC consents to the use in the Franchise Disclosure Document issued by Pet Passages Franchising, Inc. ("Franchisor") on March 29, 2024 as it may be amended, of our report dated March 13, 2024, relating to the financial statements of Franchisor for the period ending December 31, 2023.

Thaney & Associates CPAs, P.C

Rochester, New York

March 29, 2023

PET PASSAGES FRANCHISING, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

PET PASSAGES FRANCHISING, INC.

TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1-3
 <b>Financial Statements:</b>	
Balance Sheet.....	4
Statement of Income and Retained Earnings.....	5
Statement of Cash Flows.....	6
 <b>Notes to Financial Statements</b> .....	7 - 10
 <b>Supplemental Schedule:</b>	
Supplemental Schedule of Operating Expenses.....	11

## INDEPENDENT AUDITOR'S REPORT

To the Stockholder  
Pet Passages Franchising, Inc.  
Ontario, NY

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of Pet Passages Franchising, Inc. (a New York S corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

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

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pet Passages Franchising, Inc. 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 Pet Passages Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

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

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

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such



information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Thanev; Associates CPAs, P.C

Rochester, New York

March 13, 2024

PET PASSAGES FRANCHISE, INC.  
BALANCE SHEETS

DECEMBER 31,

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 37,682	\$ 11,146
Other current assets	<u>26,675</u>	<u>27,005</u>
<u>Total current assets</u>	64,357	38,151
Property and equipment - net - Note 3	1,979	866
Other assets:		
Intangible assets - net - Note 4	<u>10,270</u>	<u>13,204</u>
<u>Total other assets</u>	<u>10,270</u>	<u>13,204</u>
<u>Total assets</u>	<u>\$ 76,606</u>	<u>\$ 52,221</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Shareholder's equity:		
Common stock, no par value, 200 shares authorized, issued and outstanding -Note 5	150	150
Retained earnings	<u>76,456</u>	<u>52,071</u>
<u>Total shareholder's equity</u>	<u>76,606</u>	<u>52,221</u>
<u>Total liabilities and shareholder's equity</u>	<u>\$ 76,606</u>	<u>\$ 52,221</u>

See accompanying notes and independent accountant's review report.

PET PASSAGES FRANCHISE, INC.  
STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31,

	2023 Amount	% of Sales	2022 Amount	% of Sales
Sales	\$ 233,307	100.0	\$ 117,049	100.0
Gross profit	233,307	100.0	117,049	100.0
Operating expenses - Schedule 2	<u>146,438</u>	<u>62.2</u>	<u>76,806</u>	<u>65.7</u>
Income from operations	86,869	37.8	40,243	34.3
Other income (expense):				
Other income	<u>32,516</u>	<u>13.9</u>	<u>-</u>	<u>-</u>
<u>Total other income</u>	<u>32,516</u>	<u>13.9</u>	<u>-</u>	<u>-</u>
Income before provision for income taxes	119,385	51.7	40,243	34.3
Provision for income taxes:				
New York State franchise tax	(50)	-	(93)	(0.1)
NYS PTET Tax	<u>(6,750)</u>	<u>(2.9)</u>	<u>(3,807)</u>	<u>(3.3)</u>
	<u>(6,800)</u>	<u>(2.9)</u>	<u>(3,900)</u>	<u>-</u>
<u>Net income</u>	112,585	<u>48.8</u>	36,343	<u>31.0</u>
Retained earnings - beginning	52,071		20,728	
Shareholder distributions	<u>(88,200)</u>		<u>(5,000)</u>	
Retained earnings - ending	<u>\$ 76,456</u>		<u>\$ 52,071</u>	

See accompanying notes and independent accountant's review report.

PET PASSAGES FRANCHISE, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income	\$ 112,585	\$ 36,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	-	3,000
Other current assets	517	(27,005)
Increase (decrease) in:		
Due to related party	-	(4,700)
Depreciation	167	1,453
Amortization	1,467	-
<u>Total adjustments</u>	<u>2,151</u>	<u>(27,252)</u>
<u>Net cash provided by operating activities</u>	<u>114,736</u>	<u>9,091</u>
Cash flows from financing activities:		
Shareholder distributions	<u>(88,200)</u>	<u>(5,000)</u>
<u>Net cash (used) provided by financing activities</u>	<u>(88,200)</u>	<u>(5,000)</u>
Net increase in cash	26,536	4,091
Cash - beginning	<u>11,146</u>	<u>7,055</u>
Cash - ending	<u><u>\$ 37,682</u></u>	<u><u>\$ 11,146</u></u>
	<u>2023</u>	<u>2022</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	<u><u>\$ 50</u></u>	<u><u>\$ 93</u></u>

See accompanying notes and independent accountant's review report.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

**Note 1 – Organization**

Pet Passages Franchising, Inc. (the Company) offers franchises for the operation of businesses providing pet cremation and memorialization products and services at wholesale and retail to veterinarians, pet hospitals, humane societies and other businesses, and also to individual families mourning the loss of their pets. The Company was incorporated in New York in 2011.

**Note 2 – Summary of Significant Accounting Policies**

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

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, nonrefundable fee and continuing royalty fees based upon a percentage of sales. General and administrative costs are charged to expense as incurred.

Effective January 1, 2019, the Company has adopted FASB Accounting Standards Codification 606, Revenue from Contracts with Customers. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection and training. The Company has elected to recognize the preopening services as a single performance obligation under ASU 2021-02. There is no cumulative effect on retained earnings as a result of this election. The Company recognizes franchise fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. At December 31, 2022, the Company had fulfilled all of its contract obligations related to franchises sold during the year; therefore, there was no allocation to deferred revenue. Franchise royalty fees are based on a defined percentage of gross sales of the franchisee and are recognized at a point in time when services are rendered.

	<u>2023</u>	<u>2022</u>
Franchise sales	\$ 77,275	\$ -
Franchise royalty fees	<u>127,304</u>	<u>117,049</u>
Totals	\$ 204,579	\$ 117,049

The Company grants credit to franchisees under signed franchise agreements. Allowance for doubtful accounts, if any, are provided based on the review of outstanding receivables, historical experience and economic conditions. Uncollectible accounts, if any, are expensed in the period such amounts are determined.

The Company's financial instruments include cash and related party receivables. The Company's value of these financial instruments approximates fair value due to their short-term nature.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

**Note 2 – Summary of Significant Accounting Policies - continued**

The Company maintains its demand deposits in commercial banks with Federal Deposit Insurance Corporation limits.

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Leasehold improvements have a useful life of fifteen years. When property and equipment are retired or disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

Intangible assets are stated at cost. Amortization is provided using the straight-line method over fifteen years.

Income taxes are provided based on current enacted and applicable income tax rates. Current and deferred income taxes are calculated based on an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has adopted accounting standards relating to accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various matters such as de-recognition, interest, penalties and disclosures required. The Company does not have any entity-level, uncertain tax positions. The Company files income tax returns in federal and New York state jurisdictions

**Note 3 – Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 2,500	\$ 2,500
Less: Accumulated depreciation	<u>(521)</u>	<u>(1,634)</u>
	<u>\$ 1,979</u>	<u>\$ 866</u>

Depreciation expense for the years ended December 31, 2023 and 2022, was \$167 and \$1,634, respectively, which is included in “general and administrative expenses” on the statement of income and retained earnings.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

**Note 4 – Intangible Assets**

Intangible assets consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 22,066	\$ 22,006
Less: Accumulated depreciation	<u>(11,737)</u>	<u>(8,802)</u>
	<u>\$ 10,270</u>	<u>\$ 13,204</u>

Amortization expense for the years ended December 31, 2023 and 2022, was \$1,467, which is included in “general and administrative expenses” on the statement of income and retained earnings.

**Note 5 – Common Stock**

At December 31, 2023 and 2022, the Company had 200 shares of no par value common stock authorized and 150 shares issued and outstanding.

**Note 6 – Lease Commitments:**

The Company leases its operating facility from MEMI, LLC, a company related through common ownership. The lease stipulates that the lease is from January 1, 2023 through December 31, 2023 and payments are made monthly for \$2,000. Rental expense was \$26,000 and \$22,000 for the years ended December 31, 2023 and 2022, respectively.

The company leases its software from Pet Passages, Inc., a company related through common ownership. The lease is from January 1, 2023 through December 31, 2023. Payments are made monthly and can fluctuate from month to month for a minimum of \$4,000 per month as long as payments total \$63,500 annually. Software expense was \$62,500 and \$41,500 for the years ended December 31, 2023 and 2022, respectively.

**Note 7 – Provision for Income Taxes**

The Company has elected under the Internal Revenue Code to be treated as an S corporation. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on the proportionate share of the company’s taxable income. Under New York regulations, S corporations pay an annual tax based on gross receipts, from \$25 up to a maximum of \$4,500. Income tax provision consists of current tax expense of \$50. Additionally, the Company made a Pass Through Entity Tax payment during 2023 and 2022. The total income tax expense for the years ended December 31, 2023 and 2022 was \$6,800 and \$3,900, respectively.

Due to various timing differences, certain deductions are recognized in different periods for tax reporting than for financial statement purposes. The deferred taxable income and the resulting deferred taxes are not material to these financial statements.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

**Note 8- Contingencies and Subsequent Events**

FASB Accounting Standards Codification 842, Leases (ASC 842) requires entities to recognize right-to-use assets and lease liabilities for operating leases on the balance sheet. ASC 842 is effective for years beginning on or after December 15, 2021. The Company is evaluating this new standard and the impact it will have on the financial statements.

The Company has evaluated subsequent events through March 13, 2024, the date which the financial statements were available to be issued.



PET PASSAGES FRANCHISE, INC.  
SUPPLEMENTAL SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31,

	2023	% of	2022	% of
	<u>Amount</u>	<u>Sales</u>	<u>Amount</u>	<u>Sales</u>
Advertising	41,280	17.7	-	-
Bank and credit card charges	416	0.2	194	0.2
Depreciation	167	0.1	1,453	1.2
Amortization	1,467		-	
Meals	1,151	0.5	194	0.2
Professional fees	11,847	5.1	10,230	8.7
Rent	26,000	11.1	22,000	18.8
Software	63,500	27.2	41,500	35.5
Travel and entertainment	-	-	1,135	1.0
Miscellaneous	610	0.3	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total operating expenses</u>	<u>\$ 146,438</u>	<u>62.2</u>	<u>\$ 76,806</u>	<u>65.7</u>

See accompanying notes and independent accountant's review report.



## CONSENT

Thaney & Associates, CPA's, PC consents to the use in the Franchise Disclosure Document issued by Pet Passages Franchising, Inc. ("Franchisor") on April 5, 2023 as it may be amended, of our report dated March 30, 2023, relating to the financial statements of Franchisor for the period ending December 31, 2022.

*Thaney & Associates CPAs, P.C*

Rochester, New York

April 5, 2023

[Manual or Digital Signature of Accountant]

PET PASSAGES FRANCHISING, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

PET PASSAGES FRANCHISING, INC.

TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1-3
 <b>Financial Statements:</b>	
Balance Sheet.....	4
Statement of Income and Retained Earnings.....	5
Statement of Cash Flows.....	6 - 7
 <b>Notes to Financial Statements</b> .....	8 - 11
 <b>Supplemental Schedule:</b>	
Supplemental Schedule of Operating Expenses.....	12

INDEPENDENT AUDITOR'S REPORT

To the Stockholder  
Pet Passages Franchising, Inc.  
Ontario, NY

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the accompanying financial statements of Pet Passages Franchising, Inc. (a New York S corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pet Passages Franchising, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pet Passages Franchising, Inc. 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 Pet Passages Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

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

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

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Thanev: ASSOCIATES CPAs, P.C

Rochester, New York

March 30, 2023

PET PASSAGES FRANCHISE, INC.  
BALANCE SHEET

DECEMBER 31,

ASSETS

	<u>2022</u>
Current assets:	
Cash	\$ 11,146
Other current assets	<u>27,005</u>
<u>Total current assets</u>	38,151
Property and equipment - net - Note 3	866
Other assets:	
Intangible assets - net - Note 4	<u>13,204</u>
<u>Total other assets</u>	<u>13,204</u>
<u>Total assets</u>	<u>\$ 52,221</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Shareholder's equity:	
Common stock, no par value, 200 shares authorized, issued and outstanding -Note 5	150
Retained earnings	<u>52,071</u>
<u>Total shareholder's equity</u>	<u>52,221</u>
<u>Total liabilities and shareholder's equity</u>	<u>\$ 52,221</u>

See accompanying notes and independent accountant's review report.



PET PASSAGES FRANCHISE, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2022</u> <u>Amount</u>	<u>% of</u> <u>Sales</u>
Sales	\$ 117,049	100.0
Gross profit	117,049	100.0
Operating expenses - Schedule 2	<u>76,806</u>	<u>65.7</u>
Income from operations	40,243	34.3
Income before provision for income taxes	40,243	34.3
Provision for income taxes:		
New York State franchise tax	(93)	(0.1)
NYS PTET Tax	<u>(3,807)</u>	<u>(3.3)</u>
	<u>(3,900)</u>	<u>(3.4)</u>
<u>Net income</u>	36,343	<u>31.0</u>
Retained earnings - beginning	20,728	
Shareholder distributions	<u>(5,000)</u>	
Retained earnings - ending	<u>\$ 52,071</u>	

See accompanying notes and independent accountant's review report.

PET PASSAGES FRANCHISE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2022</u>
Cash flows from operating activities:	
Net income	\$ 36,343
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease (increase) in:	
Accounts receivable	3,000
Other current assets	(27,005)
Increase (decrease) in:	
Due to related party	(4,700)
Depreciation	1,453
<u>Total adjustments</u>	<u>(27,252)</u>
<u>Net cash provided by operating activities</u>	9,091
Cash flows from financing activities:	
Shareholder distributions	<u>(5,000)</u>
<u>Net cash (used) provided by financing activities</u>	<u>(5,000)</u>
Net increase in cash	4,091
Cash - beginning	<u>7,055</u>
Cash - ending	<u><u>\$ 11,146</u></u>

See accompanying notes and independent accountant's review report.

PET PASSAGES FRANCHISE, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31,

2022

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	<u>\$ -</u>
Income taxes	<u>\$ 93</u>

Supplemental schedule of non-cash investing and  
financing activities:

Acquisition of property and equipment	<u>\$ -</u>
Actual cash paid	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Note 1 - Organization**

Pet Passages Franchising, Inc. (the Company) offers franchises for the operation of businesses providing pet cremation and memorialization products and services at wholesale and retail to veterinarians, pet hospitals, humane societies and other businesses, and also to individual families mourning the loss of their pets. The Company was incorporated in New York in 2015.

**Note 2 - Summary of Significant Accounting Policies**

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

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, nonrefundable fee and continuing royalty fees based upon a percentage of sales. General and administrative costs are charged to expense as incurred.

Effective January 1, 2019, the Company has adopted FASB Accounting Standards Codification 606, Revenue from Contracts with Customers. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection and training. The Company has elected to recognize the preopening services as a single performance obligation under ASU 2021-02. There is no cumulative effect on retained earnings as a result of this election. The Company recognizes franchise fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. At December 31, 2022, the Company had fulfilled all of its contract obligations related to franchises sold during the year; therefore, there was no allocation to deferred revenue. Franchise royalty fees are based on a defined percentage of gross sales of the franchisee and are recognized at a point in time when services are rendered.

Franchise sales	\$ -
Franchise royalty fees	<u>117,049</u>
Total	\$ 117,049

The Company grants credit to franchisees under signed franchise agreements. Allowance for doubtful accounts, if any, are provided based on the review of outstanding receivables, historical experience and economic conditions. Uncollectible accounts, if any, are expensed in the period such amounts are determined.

The Company's financial instruments include cash and related party receivables. The Company's value of these financial instruments approximates fair value due to their short-term nature.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Note 2 – Summary of Significant Accounting Policies - continued**

The Company maintains its demand deposits in commercial banks with Federal Deposit Insurance Corporation limits.

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Leasehold improvements have a useful life of fifteen years. When property and equipment are retired or disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

Intangible assets are stated at cost. Amortization is provided using the straight-line method over fifteen years.

Income taxes are provided based on current enacted and applicable income tax rates. Current and deferred income taxes are calculated based on an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has adopted accounting standards relating to accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various matters such as de-recognition, interest, penalties and disclosures required. The Company does not have any entity-level, uncertain tax positions. The Company files income tax returns in federal and New York state jurisdictions

**Note 3 – Property and Equipment**

	<u>2022</u>
Property and equipment consists of the following:	
Leasehold Improvements	\$ 2,500
Less: Accumulated Depreciation	<u>(1,634)</u>
	<u>\$ 866</u>

Depreciation expense for the year ended December 31, 2022, was \$1,634, which is included in "general and administrative expenses" on the statement of income and retained earnings.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Note 4 – Intangible Assets**

	<u>2022</u>
Intangible assets consists of the following:	
Start-up costs	\$ 22,006
Less: Accumulated Depreciation	<u>(8,802)</u>
	<u>\$ 13,204</u>

Amortization expense for the year ended December 31, 2022, was \$1,467, which is included in “general and administrative expenses” on the statement of income and retained earnings.

**Note 5 – Common Stock**

At December 31, 2022, the Company had 200 shares of no par value common stock authorized and 150 shares issued and outstanding.

**Note 6 – Lease Commitments:**

The Company leases its operating facility from MEMI, LLC. The lease stipulates that the lease is from January 1, 2022 through December 31, 2022 and payments are made monthly for \$2,000. Rental expense was \$22,000 for the year ended December 31, 2022.

The company leases its software from Pet Passages, Inc., a company related through common ownership. The lease is from January 1, 2022 through December 31, 2022 and payments are made monthly for \$4,000. Software expense was \$41,500 for the year ended December 31, 2022.

**Note 7 – Provision for Income Taxes**

The Company has elected under the Internal Revenue Code to be treated as an S corporation. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on the proportionate share of the company’s taxable income. Under New York regulations, S corporations pay an annual tax based on gross receipts, from \$25 up to a maximum of \$4,500. Income tax provision consists of current tax expense of \$25. Additionally, the Company made a Pass through Entity Tax payment during 2022. The total current income tax expense is \$3,900 for the year ended December 31, 2022.

Due to various timing differences, certain deductions are recognized in different periods for tax reporting than for financial statement purposes. The deferred taxable income and the resulting deferred taxes are not material to these financial statements.

PET PASSAGES FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Note 8- Contingencies and Subsequent Events**

FASB Accounting Standards Codification 842, Leases (ASC 842) requires entities to recognize right-to-use assets and lease liabilities for operating leases on the balance sheet. ASC 842 is effective for years beginning on or after December 15, 2021. The Company is evaluating this new standard and the impact it will have on the financial statements.

The Company has evaluated subsequent events through March 30, 2023, the date which the financial statements were available to be issued.

PET PASSAGES FRANCHISE, INC.  
SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	<u>2022</u> <u>Amount</u>	<u>% of</u> <u>Sales</u>
Bank and credit card charges	194	0.2
Depreciation	1,453	1.2
Dues and subscriptions	100	0.1
Meals	194	0.2
Professional fees	10,230	8.7
Rent	22,000	18.8
Software	41,500	35.5
Travel and entertainment	<u>1,135</u>	<u>1.0</u>
<u>Total operating expenses</u>	<u>\$ 76,806</u>	<u>65.7</u>

See accompanying notes and independent accountant's review report.



## CONSENT

TYS, LLP *Trusted Advisors and Accountants* consents to the use in the Franchise Disclosure Document issued by Pet Passages Franchising, Inc. (“Franchisor”) on August 12, 2022 as it may be amended, of our report dated April 25, 2022, relating to the financial statements of Franchisor for the period ending December 31, 2021.

A handwritten signature in black ink, appearing to read 'T. S. Shortsleeve', with a long horizontal line extending to the right.

**Timothy S. Shortsleeve, CPA**  
**Partner**

To the Stockholder  
Pet Passages Franchising, Inc.  
Ontario, NY

In planning and performing our audit of the financial statements of Pet Passages Franchising, Inc. as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Pet Passages Franchising, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we do not express an opinion on the effectiveness of the company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the stockholder and others within the company, and is not intended to be, and should not be, used by anyone other than these specified parties.

**tys, llp**  
*Trusted Advisors and Accountants*



Walnut Creek, CA  
April 25, 2022

April 25, 2022

To the Stockholder  
Pet Passages Franchising, Inc.  
Ontario, NY

We have audited the financial statements of Pet Passages Franchising, Inc. for the year ended December 31, 2021, and we will issue our report thereon dated April 25, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pet Passages Franchising, Inc. are described in Note 2 to the financial statements. As described in Note 2, the Company changed accounting policies related to the recognition of revenue by adopting FASB Accounting Standards Update No. 2021-02, Franchisors - Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient, in 2021. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in performing and completing our audit.

#### *Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. You have corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the company's auditors. However, these

discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the stockholder and management of Pet Passages Franchising, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tys, LLP", written in a cursive, flowing style.

**tys, llp**

*Trusted Advisors and Accountants*

---

**PET PASSAGES FRANCHISING, INC.**

**2021**

---

**DECEMBER 31, 2021**  
**AUDITED FINANCIAL STATEMENTS**

---



## CONTENTS

INDEPENDENT AUDITOR’S REPORT	Pages 2 – 3
------------------------------	-------------

### FINANCIAL STATEMENTS

Balance Sheet	Page 4
Statement of Income and Retained Earnings	Page 5
Statement of Cash Flows	Pages 6 – 7
Notes to Financial Statements	Pages 8 – 11

### SUPPLEMENTAL INFORMATION

Schedule of General and Administrative Expenses	Page 12
-------------------------------------------------	---------

*INDEPENDENT AUDITOR'S REPORT*

To the Stockholder  
Pet Passages Franchising, Inc.  
Ontario, NY

**Opinion**

We have audited the accompanying financial statements of Pet Passages Franchising, Inc. (a New York S corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pet Passages Franchising, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pet Passages Franchising, Inc. 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 Pet Passages Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**tys, llp**

*Trusted Advisors and Accountants*



Walnut Creek, CA  
April 25, 2022



**PET PASSAGES FRANCHISING, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2021**

**ASSETS**

CURRENT ASSETS	
Cash	\$ 7,055
Accounts receivable	<u>3,000</u>
Total current assets	10,055
FIXED ASSETS - net	2,319
INTANGIBLE ASSETS	<u>13,204</u>
TOTAL ASSETS	<u><u>\$ 25,578</u></u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

CURRENT LIABILITIES	
Related parties payable	<u>4,700</u>
Total current liabilities	4,700
STOCKHOLDER'S EQUITY	
Common stock	\$ 150
Retained earnings	<u>20,728</u>
Total stockholder's equity	<u>20,878</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$ 25,578</u></u>

**PET PASSAGES FRANCHISING, INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 2021**

REVENUES	\$ 125,160
GENERAL AND ADMINISTRATIVE EXPENSES	<u>(52,597)</u>
OPERATING INCOME	72,563
PROVISION FOR INCOME TAXES	<u>(4,725)</u>
NET INCOME	67,838
RETAINED EARNINGS, beginning of year	74,566
STOCKHOLDER DISTRIBUTIONS	<u>(121,676)</u>
RETAINED EARNINGS, end of year	<u><u>\$ 20,728</u></u>

**PET PASSAGES FRANCHISING, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from franchisees	\$ 122,160
Cash paid to suppliers	(50,963)
Income taxes paid	<u>(4,725)</u>
Net cash provided by operating activities	<u>66,472</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Advances to related parties	(4,000)
Repayments from related parties	<u>61,317</u>
Net cash provided by investing activities	<u>57,317</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings from related parties	4,700
Contributions from stockholder	
Distributions to stockholder	<u>(121,676)</u>
Net cash used in financing activities	<u>(116,976)</u>

NET INCREASE IN CASH	6,813
----------------------	-------

CASH, beginning of year	<u>242</u>
-------------------------	------------

CASH, end of year	<u><u>\$ 7,055</u></u>
-------------------	------------------------

**PET PASSAGES FRANCHISING, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

RECONCILIATION OF NET INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Net income	\$ 67,838
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	167
Amortization	1,467
Increase in:	
Accounts receivable	<u>(3,000)</u>
Net cash provided by operating activities	<u>\$ 66,472</u>

**PET PASSAGES FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 1 ORGANIZATION

Pet Passages Franchising, Inc. (the Company) offers franchises for the operation of businesses providing pet cremation and memorialization products and services at wholesale and retail to veterinarians, pet hospitals, humane societies and other businesses, and also to individual families mourning the loss of their pets. The Company was incorporated in New York in 2015.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee and continuing royalty fees based upon a percentage of sales. General and administrative costs are charged to expense as incurred.

Effective January 1, 2019, the Company has adopted *FASB Accounting Standards Codification 606, Revenue from Contracts with Customers*. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection and training. The Company has elected to recognize the pre-opening services as a single performance obligation under ASU 2021-02. There is no cumulative effect on retained earnings as a result of this election. The Company recognizes franchise fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. At December 31, 2021, the Company had fulfilled all of its contract obligations related to franchises sold during the year; therefore, there was no allocation to deferred revenue. Franchise royalty fees are based on a defined percentage of gross sales of the franchisee and are recognized at a point in time when services are rendered.

Franchise sales	\$ 60,000
Franchise royalty fees	<u>65,160</u>
Total	<u>\$ 125,160</u>

The Company grants credit to franchisees under signed franchise agreements. Allowance for doubtful accounts, if any, is provided based on the review of outstanding receivables, historical experience and economic conditions. Uncollectible accounts, if any, are expensed in the period such amounts are determined.

**PET PASSAGES FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's financial instruments include cash and related party receivables. The Company's value of these financial instruments approximates fair value due to their short-term nature.

The Company maintains its demand deposits in commercial banks with Federal Deposit Insurance Corporation limits.

Fixed assets are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Leasehold improvements have a useful life of fifteen years. When fixed assets are retired or disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

Intangible assets are stated at cost. Amortization is provided using the straight-line method over fifteen years.

Income taxes are provided based on current enacted and applicable income tax rates. Current and deferred income taxes are calculated based on an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has adopted accounting standards relating to accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various matters such as derecognition, interest, penalties and disclosures required. The Company does not have any entity-level, uncertain tax positions. The Company files income tax returns in federal and New York state jurisdictions.

NOTE 3 FIXED ASSETS

Fixed assets consist of the following:

Leasehold improvements	\$ 2,500
Less accumulated depreciation	<u>(181)</u>
	<u>\$ 2,319</u>

**PET PASSAGES FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 3    FIXED ASSETS (continued)

Depreciation expense for the year ended December 31, 2021, was \$167, which is included in “general and administrative expenses” on the statement of income and retained earnings.

NOTE 4    INTANGIBLE ASSETS

Intangible assets consist of the following:

Start-up costs	\$     22,006
Less accumulated amortization	<u>          (8,802)</u>
	<u>\$     13,204</u>

Amortization expense for the year ended December 31, 2021, was \$1,467, which is included in “general and administrative expenses” on the statement of income and retained earnings.

NOTE 5    COMMON STOCK

At December 31, 2021, the Company had 200 shares of no par value common stock authorized and 150 shares issued and outstanding.

NOTE 6    RELATED PARTY TRANSACTIONS

The Company rents its office facilities from an entity wholly-owned by the stockholder under month-to-month terms. Total rent expense for the year ended December 31, 2021, was \$25,150.

The Company leases its software from an entity wholly-owned by the stockholder under month-to-month terms. Total software lease expense for the year ended December 31, 2021, was \$13,000.

The Company advances money to entities wholly-owned by the stockholder on an as-needed basis. The advances do not bear interest. At December 31, 2021, there is \$4,700 due to the related entities, which is included in “related parties payable” on the balance sheet.

**PET PASSAGES FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 7    PROVISION FOR INCOME TAXES**

The Company has elected under the Internal Revenue Code to be treated as an S corporation.

In lieu of corporate income taxes, the stockholders of an S corporation are taxed on the proportionate share of the company's taxable income. Under New York regulations, S corporations pay an annual tax based on gross receipts, from \$25 up to a maximum of \$4,500. Income tax provision consists of current tax expense of \$25. Additionally, the Company made a Pass Through Entity Tax payment during 2021. The total current income tax expense is \$4,725 for the year ended December 31, 2021.

Due to various timing differences, certain deductions are recognized in different periods for tax reporting purposes than for financial statement purposes. The deferred taxable income and the resulting deferred taxes are not material to these financial statements.

**NOTE 8    CONTINGENCIES AND SUBSEQUENT EVENTS**

In January 2020, the World Health Organization declared the COVID-19 outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments including the duration and spread of the outbreak and impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. The financial impact cannot be reasonably estimated at this time.

FASB Accounting Standards Codification 842, Leases (ASC 842) requires entities to recognize right-to-use assets and lease liabilities for operating leases on the balance sheet. ASC 842 is effective for years beginning on or after December 15, 2021. The Company is evaluating this new standard and the impact it will have on the financial statements.

The Company has evaluated subsequent events through April 25, 2021, the date which the financial statements were available to be issued.



**PET PASSAGES FRANCHISING, INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

Rent	\$ 25,150
Professional services	11,530
Bank fees	356
Utilities	777
Software lease	13,000
Franchise fee	150
Depreciation and amortization	<u>1,634</u>
Total general and administrative expenses	<u><u>\$ 52,597</u></u>

EXHIBIT “G”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**State Addendum**

*[See Attached]*

**WISCONSIN ADDENDUM**  
**TO PET PASSAGES FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Wisconsin Dealership Practices Law the parties to the attached Franchise Disclosure Document (the "Franchise Disclosure Document") agree as follows:

1. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, Franchisor will not terminate, cancel, fail to renew or substantially change the competitive circumstances of the Agreement without good cause.
2. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, except as provided in this section, Franchisor shall provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances of the Agreement. The notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and shall provide that the dealer has 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days the notice shall be void. The notice provisions of this section shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Agreement, the Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.
3. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, if the Agreement is terminated by the Franchisor, the Franchisor, at the option of the Franchisee, shall repurchase all inventories sold by the Franchisee to the Franchisee for resale under the Franchise Agreement at the fair wholesale market value. This section applies only to merchandise with a name, trademark, label or other mark on it which identifies the Franchisor.

injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

EXHIBIT “H”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE ORGANIZATIONS:

- A. Franchisee Organizations We Have Created, Sponsored Or Endorsed: None.
- B. Independent Franchisee Associations: None

EXHIBIT "I"

TO

FRANCHISE DISCLOSURE DOCUMENT

**Request for Consideration**

**Please do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.**

EXHIBIT “J”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**State Effective Dates**

*[see attached]*

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Utah	December 8 <sup>th</sup> , 2023
Michigan	March 27 <sup>th</sup> , 2024
New York	June 21 <sup>st</sup> , 2024
Maryland	Pending
Virginia	Pending
Wisconsin	Pending
Illinois	Pending
Minnesota	Pending
Indiana	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



EXHIBIT “K”  
TO  
FRANCHISE DISCLOSURE DOCUMENT

**Receipts**

*[See Attached]*

RECEIPT #1

**(This copy is for the prospective franchise owner and must remain herein)**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Pet Passages Franchising, Inc. offers you a franchise, the Federal Trade Commission requires 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. In addition, New York State law requires Pet Passages Franchising, Inc. to provide the franchise disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Pet Passages Franchising, Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, dc 20580, and the appropriate state agency listed in Exhibit “A” to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process)**:

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

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

Phone: \_\_\_\_\_

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

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

Phone: \_\_\_\_\_

Our agent to receive service of process is listed in Exhibit “B” to this Disclosure Document.

Issuance Date: March 29, 2024.

I have received the Franchise Disclosure Document dated \_\_\_\_\_, 2024 that included the following Exhibits:

EXHIBIT “A”	State Agencies and Administrators
EXHIBIT “B”	Franchisor’s Agent for Service of Process
EXHIBIT “C”	Franchise Agreement
EXHIBIT “D”	Table of Contents to Manual
EXHIBIT “E”	List of Franchisees
EXHIBIT “F”	Financial Statements
EXHIBIT “G”	State Addendum
EXHIBIT “H”	Franchisee Organizations
EXHIBIT “I”	Request for Consideration
EXHIBIT “J”	Receipts

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

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

State: \_\_\_\_\_

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

RECEIPT #2

**(This copy must be signed by prospective franchise owner and returned to us)**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Pet Passages Franchising, Inc. offers you a franchise, the Federal Trade Commission requires it to 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. In addition, New York State Law requires Pet Passages Franchising, Inc. to provide the franchise disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Pet Passages Franchising, Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, dc 20580, and the appropriate state agency listed in Exhibit "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process):**

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

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

Phone: \_\_\_\_\_

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

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

Phone: \_\_\_\_\_

Our agent to receive service of process is listed in Exhibit "B" to this Disclosure Document.

Issuance Date: March 29, 2024.

I have received the Franchise Disclosure Document dated \_\_\_\_\_, 2024 that included the following Exhibits:

EXHIBIT "A" State Agencies and Administrators  
EXHIBIT "B" Franchisor's Agent for Service of Process  
EXHIBIT "C" Franchise Agreement  
EXHIBIT "D" Table of Contents to Manual  
EXHIBIT "E" List of Franchisees  
EXHIBIT "F" Financial Statements  
EXHIBIT "G" State Addendum  
EXHIBIT "H" Franchisee Organizations  
EXHIBIT "I" Request for Consideration  
EXHIBIT "J" Receipts

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

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

State: \_\_\_\_\_

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