

## FRANCHISE DISCLOSURE DOCUMENT



**AUSSIE PET MOBILE, INC.**  
A California Corporation  
19000 MacArthur Blvd, Suite 100  
Irvine, California 92612  
Telephone: (949) 234-0680  
Email: paul.ebert@gohfc.com  
Website: www.aussiepetmobile.com

As an AUSSIE PET MOBILE® franchisee, you will offer mobile pet grooming services in a designated territory.

The total investment necessary to begin operation of an AUSSIE PET MOBILE® franchise is \$178,845 - \$203,170. This includes \$119,950 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss availability of disclosures in different formats, contact Aussie Pet Mobile, Inc., 19000 MacArthur Blvd, Suite 100, Irvine, California 92612, 949-234-0680.

The terms of your contract will govern your franchise relationship. Do not 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 an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*”, which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 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:

<b>QUESTIONS</b>	<b>WHERE TO FIND INFORMATION</b>
<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 Exhibits B and C.
<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 A 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 AUSSIE PET MOBILE® 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 AUSSIE PET MOBILE® franchisee?</b>	Item 20 or Exhibits B and C 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 F.

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

## Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **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 marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments**. You must make minimum royalty, advertising, and other payments, 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.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISES WHO ARE  
RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

**NOTICE REQUIRED BY STATE OF MICHIGAN**

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of the franchisor's intent not to renew the franchise.
5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right to first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - 7.1 The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - 7.2 The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - 7.3 The unwillingness of the proposed transferee to agree in writing to comply with all lawful

obligations.

7.4 The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

9. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Department of Attorney General  
Consumer Protection Division  
670 G. Mennen Williams Building  
525 West Ottawa Street  
Lansing, Michigan 48913  
(517) 373-7117

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### STATE SPECIFIC ADDENDA

#### Exhibits

- A. Franchise Agreement, State Addendum and Schedules:
  - 1: Personal Covenant and Guarantee
  - 2: Description of Territory
  - 3: Schedule of Names and Addresses of Owners and Principal Officers
  - 4: Designated Equipment
- B. Financial Statements
- C. List of Franchisees

- D. List of Terminated or Transferred Franchisees
- E. State Franchise Administrators and Agents for Service of Process
- F. Operations Manual Table of Contents
- G. Consent to Transfer and Assumption of Franchise Agreement
- H. Veterans Addendum to Franchise Agreement
- I. Secured Promissory Note
- J. General Security Agreement
- K. Conditional Assignment of Franchisee's Telephone Numbers and Domain Names
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- M. Trainer Services Agreement
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- P. Van Support Agreement
- Q. State Effective Dates
- R. Receipts



## **ITEM 1. THE FRANCHISOR, AND ANY PARENTS, ITS PREDECESSORS AND AFFILIATES**

In this disclosure document, “we”, “us”, and/or “our” all refer to Aussie Pet Mobile, Inc., the franchisor. “You” and “your” refer to the person who buys the AUSSIE PET MOBILE® franchise. If you are a company, “you” or “your” includes your owners.

Capitalized terms used in this disclosure document have the same meaning as they do in the Franchise Agreement attached as Exhibit A to this disclosure document.

### **Franchisor, Parents, and Affiliates**

#### **Franchisor**

We conduct business under the name AUSSIE PET MOBILE®. Our principal business address is 19000 MacArthur Blvd, Suite 100, Irvine, California 92612. We are a California corporation which was formed February 22, 1999 and we have offered franchises since October 1999. We have never conducted business in any other line of business or offered franchises in any other line of business.

#### **Parents**

We have five parents. On November 30, 2021 we were acquired by Home Franchise Concepts, LLC (“HFC”), our immediate parent. HFC is a Delaware limited liability company. Our ultimate parent is JM Family Enterprises, Inc. (“JMF”). JMF controls HFC through JM Family Holdings, Inc., TCP HFC, Inc., and Home Franchise Concepts Parent, LLC. JMF is majority-owned by the James M. Moran Intervivos Trust Number Two. HFC’s principal business address is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. JMF’s principal business address and the principal business address of our other parents (other than HFC), is 100 Jim Moran Boulevard, Deerfield Beach, Florida 33442.

#### **Subsidiaries**

We have one subsidiary, AUSSIE PET MOBILE® International, Inc. (“APM International”). APM International was organized as a Nevada corporation on June 26, 2003. The principal business address of APM International is 19000 MacArthur Blvd, Suite 100, Irvine, California 92612. Since 2003, APM International has offered and sold pet grooming master franchises outside the United States and has one Master Franchise Agreement in effect related to the Kingdom of Saudi Arabia and surrounding territories. As of the date of this disclosure document, APM International is not actively franchising. APM International does not offer franchises in any other line of business and does not provide products or services to our franchisees.

#### **Affiliates**

We have eleven affiliates.

Our affiliate, Budget Blinds, LLC (“BB”), a franchisor of window covering businesses,

was incorporated as a California corporation on October 5, 1992 and converted to a California limited liability company on November 24, 2015. It began offering BUDGET BLINDS® franchises in March 1994. BB has never offered franchises in any other line of business.

Our affiliate, Organized Spaces, LLC ("OS"), was incorporated in California on January 24, 2006 under the name "Closet Tailors, Inc.". On May 18, 2006, Closet Tailors, Inc. converted to a California limited liability company named "Closet Tailors, LLC". On May 5, 2010, Closet Tailors, LLC changed its name to "Tailored Living, LLC" and on January 24, 2022, Tailored Living, LLC changed its name to "Organized Spaces, LLC". From 2006 until 2010, Closet Tailors, Inc. and Closet Tailors, LLC conducted business as CLOSET TAILORS® and offered franchises for a business for the design, sale, and installation of organizing units and storage and organizing accessories for closets, pantries, storerooms, utility rooms, basements and attics. From 2011 until 2022, OS conducted business as TAILORED LIVING® and its franchisees offered the same services as were offered under the CLOSET TAILORS® franchise but with the addition of garage organizing units and storage and organizing accessories and garage flooring. In November 2022, OS replaced the TAILORED LIVING® franchise offering with two separate offerings, THE TAILORED CLOSET™ and PREMIERGARAGE®. OS has never offered franchises in any other line of business.

Our affiliate, American Decorative Coatings, LLC dba "Concrete Craft" ("ADC"), a franchisor of decorative concrete businesses, is a Delaware limited liability company that was organized on October 17, 2014. It began offering CONCRETE CRAFT® franchises in March 2015. It has never offered franchises in any other line of business.

Our affiliate, AdvantaClean Systems, LLC ("ACS") began offering ADVANTACLEAN® franchises in 2006 for restoration and remediation services that make residential and commercial buildings clean, safe, healthy and energy efficient. Prior to January 1, 2019, ACS operated as a corporation, AdvantaClean Systems, Inc. (formerly named "LCR Advantage Systems, Inc."). ACS offered franchises that offered and sold HVAC installation and maintenance services under the trademark "AdvantaClean Air" from April 2009 to March 2010 at which time it ceased offering and selling these franchises. Other than the foregoing, ACS has never offered franchises in any other line of business.

Our affiliate, HFC KTU LLC ("KTU") began offering KITCHEN TUNE-UP® franchises for upgrading and remodeling kitchens in December, 2020 and BATH TUNE-UP® franchises for bathroom updates and remodels in January 2021. KTU's predecessor, DCHFamily, Inc. f/k/a KTU Worldwide, Inc. ("KTUW") began offering KITCHEN TUNE-UP® franchises in 1988. KTU acquired substantially all of the assets of KTUW in December 2020. KTU has never offered franchises in any other line of business.

Our affiliate, Two Maids Franchising, LLC ("TMF"), a franchisor of residential cleaning businesses, was organized as an Alabama limited liability company on August 14, 2013 and began offering TWO MAIDS & A MOP® franchises in 2013. TMF has never offered franchises in any other line of business.

Our affiliate, Lightspeed Restoration, LLC ("LSR"), a franchisor of 24/7 restoration and remediation services, was organized as a Delaware limited liability company on December 15,

2022. It will begin offering LIGHTSPEED RESTORATION™ franchises in mid 2023. LSR has never offered franchises in other lines of business.

Our affiliate, Order Processing Services, LLC (“OPS”), a California limited liability company, sells certain products to some of our affiliates’ franchisees but has never offered franchises in any line of business.

Our affiliate, Loss Control and Recovery, LLC (“LCR”), a Florida limited liability company, facilitates and administers jobs with national accounts for ACS and LSR franchisees but has never offered franchises.

Our affiliate, AdvantaClean Equipment Rental, LLC (“ACER”), a Delaware limited liability company, rents disaster remediation equipment to ACS and LSR franchisees and third parties but has never offered franchises.

Our affiliate, BB Commercial Solutions, LLC (“BBCS”), a California limited liability company, promotes light commercial business for the benefit of our affiliates’ franchisees but has never offered franchises.

None of our affiliates have ever operated a business of the type we franchise, nor have any of our affiliates offered franchises of the type we franchise. None of our affiliates provide products or services to our franchisees.

The principal business address of BB, OS, ADC, BBCS and OPS is 19000 MacArthur Boulevard, Suite 100, California 92612. ACS’s, LCR’s and ACER’s principal business address is 110 N. Freeport Parkway, Suite 140, Coppell, Texas 75019. KTU’s principal business address is 14 S Main Street, Suite C, Aberdeen, South Dakota 57401. TMF’s principal business address is 505 20<sup>th</sup> Street North, Suite 975, Birmingham, Alabama 35203. LSR’s principal business address is 777 International Parkway, Suite 300, Flower Mound, Texas 75022.

### **Predecessors**

We do not have any predecessors.

### **Agents for Service of Process**

Our Agents for Service of Process are set forth in Exhibit E of the disclosure document.

### **The Franchise Offered**

AUSSIE PET MOBILE® franchises (“Franchised Businesses”) specialize in mobile pet grooming services. These services include bathing and grooming domestic pets including dogs and cats. These services are provided from Sprinter Vans acquired by you and customized by us with a Designated Equipment Package, also acquired by you. You are required to operate a minimum of one (1) Sprinter Van in each of three (3) separate territories under three (3) separate franchise agreements. The start date for the second franchise agreement is six (6) months after delivery of the first Sprinter Van and the start date for the third franchise agreement is twelve (12) months after delivery of the first Sprinter Van.

The business may be seasonal and your results may depend on the weather in your Territory. Extreme weather conditions can inhibit the operation of your AUSSIE PET MOBILE® Customized Vehicle and impact your ability to service customers.

### **The Franchise System and Proprietary Marks**

Our franchise system is characterized by, among other things, distinct standards and specifications for serving the public using products, supplies, uniform standards, specifications and procedures for operations, training and assistance (the “System”). The System is identified by means of certain trade names, trademarks, services marks, logos emblems and other indicia of origin, including the Mark “AUSSIE PET MOBILE®” which we require you to use in connection with the System (collectively, the “Proprietary Marks”). We intend to rebrand to another name in late 2024 or early 2025.

### **Market Competition**

The market for mobile pet grooming is developing. The primary market for AUSSIE PET MOBILE® services are pet owners looking for convenient, efficient pet grooming. Competition includes other businesses offering services similar to those offered by an AUSSIE PET MOBILE® business, including veterinarians, pet stores, specialty pet grooming services and other fixed locations and mobile pet groomers.

### **Industry Specific Regulations**

We know of no regulations specific to the franchise. Like other businesses, the Franchised Business may be subject to generally applicable laws like workers’ compensation, OSHA regulations and others. These regulations may require measures for the protection of employees and the public. You will be responsible for contacting your local and state governmental agencies regarding restrictions on the operation of the Franchised Business and for complying with any federal, state or local laws and regulations.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Aussie Pet Mobile, Inc.**

#### **Paul Ebert - President**

Paul Ebert has been our President since April 1, 2023 in Birmingham, Alabama. He is also President of Two Maids Franchising, LLC in Birmingham, Alabama and has been since June 2020. Mr. Ebert is also owner of Thicket Consulting, LLC since March 2016 in Birmingham, Alabama and a member of Tri Clean LLC, a TWO MAIDS® franchisee in Tuscaloosa, Alabama.

#### **Meribeth Gunn – Vice President of Operations**

Meribeth Gunn has been our Vice President of Operations since April 2022. Prior to assuming this role, Ms. Gunn was Vice President of Operations for HFC from November 2021, Vice President of Marketing for HFC from March 2020 and Director of Local Area Marketing and Franchise Development for HFC from March 2018.

## **Home Franchise Concepts, LLC:**

### **Andrew G. Skehan – Chief Executive Officer and Director**

Andrew Skehan has been HFC's Chief Executive Officer and a director of HFC since August 1, 2022. Prior to joining HFC, Mr. Skehan was President – North America of Krispy Kreme, Incorporated in Charlotte, North Carolina from November 1, 2017 to July 31, 2022.

### **Jennie Amante – Executive Vice President, General Counsel and Secretary**

Jennie Amante has been HFC's Executive Vice President and Secretary since December 2015. She has been General Counsel for HFC and its subsidiaries since October 2004. Ms. Amante has also been our Secretary since November 2021.

### **Heather Cates – Chief Marketing Officer**

Heather Cates has been HFC's Chief Marketing Officer since April 1, 2021. Prior to assuming this role, Ms. Cates was BB's Senior Marketing Director since January 2021. From October 2018 until December 2020, Ms. Cates was Executive Director of Consumer Marketing, Facial Aesthetics for Allergan (now Abbvie) in Irvine, California.

### **Amir Yeganehjoo – Chief Financial Officer**

Amir Yeganehjoo has been HFC's Chief Financial Officer since January 3, 2023. Prior to assuming this role, Mr. Yeganehjoo was Senior Vice President, Finance, Treasury and Investor Relations for European Wax Center in Dallas, Texas from October 2020 until December 2022, Head of Corporate Finance for Chewy.com in Fort Lauderdale, Florida from December 2019 until September 2020 and held various positions with Gamestop Corp. in Grapevine, Texas from 2014 until December 2019, most recently Senior Director, Corporate Finance from May 2019 to December 2019.

### **Aaron Cady – Vice President of Franchise Development**

Aaron Cady has been HFC's Vice President of Franchise Development since March 2023. Prior to assuming this role, Mr. Cady was our Director of Franchise Development from March 2019 to February 2023.

## **ITEM 3. LITIGATION**

**In the Matter of: Aussie Pet Mobile, Inc. and Ian Moses (Administrative Proceeding before the Securities Commissioner of Maryland; Case No. 2004-0162 - 2005)**

On January 25, 2006, Aussie Pet Mobile, Inc., while under previous ownership, entered into a Consent Order with the Securities Division of the Office of the Attorney General of Maryland (the "Division") that required the franchisor to cease and desist from taking certain actions and to make certain representations. While the Consent Order contained no monetary sanctions, it required the franchisor to cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law. The Consent Order also required the franchisor to rescind the franchise agreements that had been entered into with a former franchisee whom the

Division found had not received proper disclosure, and to represent that (a) other Maryland franchisees had received proper disclosure, and (b) the franchisor had developed and implemented new franchise law compliance procedures.

Kellie Mannen, Kurly Q Enterprises, Inc., a California corporation (together “Mannen”), vs. Aussie Pet Mobile, Inc. and Ian W. Moses, (Superior Court of California, Orange County, Case No. 30-2009 00329649, Filed December 18, 2009)

Mannen was a former franchisee who abandoned her AUSSIE PET MOBILE® business. The Mannen complaint alleged that Aussie Pet Mobile, Inc., while under previous ownership, schemed to promote franchise failure by using franchise practices and requirements that undermined franchise performance; made earnings claims and misrepresentations in disclosure documents; failed to provide support; and mismanaged marketing funds. Mannen claimed violations of the California Franchise Investment Law (sections 31200 and 31201), intentional and negligent misrepresentation, fraud and deceit, fraudulent inducement/concealment, breach of contract and the covenant of good faith and fair dealing, and unjust enrichment. An accounting, rescission, and damages in an unspecified amount, plus punitive damages, attorneys’ fees and costs of suit were sought. Aussie Pet Mobile, Inc. filed an answer which denied Mannen’s claims and asserted that they were barred by multiple legal and equitable defenses. On March 20, 2013, the Bankruptcy Court granted Aussie Pet Mobile, Inc.’s motion to disallow the claims in their entirety in its Chapter 11 proceeding (described in Item 4). Aussie Pet Mobile, Inc. filed a motion to recover its attorneys’ fees and costs associated with the disallowance of Mannen’s claims and Mannen then filed a motion to permit the filing of a late appeal of the order disallowing her claim. In order to minimize further legal fees and eliminate the uncertainty inherent in further legal proceedings, Aussie Pet Mobile, Inc. and Mannen entered into a settlement agreement which was filed with the Bankruptcy Court on July 8, 2013. The settlement agreement provided that the parties would dismiss all litigation against the other, that Mannen be granted an allowed claim of \$100,000 as a Class 9 creditor under Aussie Pet Mobile Inc.’s Chapter 11 plan, and that the parties mutually release each other from any liability, other than Mannen’s allowed claim.

Other than these two actions, no litigation is required to be disclosed in this Item.

#### **ITEM 4. BANKRUPTCY**

On March 12, 2012, Aussie Pet Mobile, Inc., while under previous management, filed a petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code. The Chapter 11 case was filed in the Central District of California titled *In re Aussie Pet Mobile, Inc.* and bore case number 8:12-bk-13141-MW.

Aussie Pet Mobile, Inc. filed the Debtor’s Plan of Reorganization (the “Plan”) on October 5, 2012. The Plan provided for a restructuring of Aussie Pet Mobile Inc.’s secured debt to be paid in full over the term of the Plan with interest at 5% and for the projected repayment of unsecured creditors in full with interest at the federal judgment rate. In order to ensure that Aussie Pet Mobile, Inc. had sufficient funds to operate, payments to Class 9 general unsecured creditors were premised on maintenance of a working capital cash balance; therefore, payments to these creditors were permitted to be deferred or reduced depending on the working capital cash balance at the time distributions were due under the Plan. The Plan also provided for Aussie Pet Mobile, Inc. to cure and reinstate vehicle and other personal property leases and assume and fully perform under its franchise agreements and other executory contracts. The court entered an order confirming the

Plan on December 10, 2012 and the effective date of the Plan was December 25, 2012. The action was discharged on January 15, 2013. The Bankruptcy Court determined that the bankruptcy case was fully administered and closed the case on January 21, 2015.

Other than as described above, no bankruptcy information is required to be disclosed in this Item.

## **ITEM 5. INITIAL FEES**

### Initial Franchise Fee

You will pay us an Initial Franchise Fee of \$19,950 when you sign the franchise agreement for your first territory.

We discount the Initial Franchise Fee by 15% for new franchisees who are currently-serving or honorably discharged veterans of the United States armed forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member of the United States armed forces, you will therefore pay a discounted Initial Franchise Fee of \$16,958. There is no Initial Franchise Fee payable under a subsequent franchise agreement.

### Territory Fees

If you are purchasing your franchise from us (rather than from an existing franchisee) and you are not a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, when you sign the franchise agreements you will also pay us Initial Territory Fees of \$100,000 in the aggregate for the three territories you obtain under your first three franchise agreements. We discount the Territory Fees by 15% for new franchisees who are currently-serving or honorably discharged veterans of the United States armed forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member, you will therefore pay discounted Territory Fees of \$85,000.

All of the fees described in this Item are non-refundable, uniform and payable in a lump sum.

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**ITEM 6. OTHER FEES**

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty <sup>2</sup>	You must pay the greater of: (a) 7.0% - 4.0% of your Gross Revenue for the immediately preceding month or (b) minimum royalty of \$750 per month for the first year and \$1,500 per month thereafter. No minimum royalty payable for the first three months.	Gross Revenue to be reported by the 5 <sup>th</sup> of the month for the preceding month. Funds drawn on the 15 <sup>th</sup> of the month, in arrears, or the next business day if the 15 <sup>th</sup> falls on a weekend or public holiday.	See note 2.
National Advertising Fund Payment	You must pay the greater of 2% of your Gross Revenue for the immediately preceding month or \$500.	Same as royalty.	See Item 11.
Technology Fee	\$450 for the first territory, \$100 for second and subsequent contiguous territories. Additional non-contiguous territories then-current Technology Fee for first territory. May be adjusted.	Same as royalty.	Intended to partially reimburse us for costs of technology platforms and tech support.
Van Support Fee <sup>3</sup>	\$225 per month per Van.	Same as royalty.	See note 3.
Training for Additional Personnel	First 2 attendees are free. We may charge up to \$150 per day for additional attendees, plus travel, accommodation and meals.	One week before training begins. Travel, accommodation, and meals are due as required by service providers.	
Additional Territory Fee	An amount equal to the then-current initial Territory Fee if you buy an additional territory in the future.	When you purchase additional territories.	Availability of additional territories is at our discretion.



<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Encroachment Payment	100% of your Gross Sales in another franchisee's territory.	When you make sales in another franchisee's territory in violation of your franchise agreement.	As an alternative to termination of your franchise for operating in another franchisee's territory.
Fees on Transfer <sup>3</sup>	If selling to a new franchisee, greater of \$24,950 or 6% of sale price up to a maximum of \$50,000. If selling to an existing franchisee, \$5,000 transfer fee per territory.	Before transfer.	Payable when you sell your franchise. No charge if your franchise is assigned to a corporate entity that you control.
Transfer Lead Referral Fee	Our then-applicable lead referral fee, currently \$15,000, or the amount of any broker fees that we must pay a third party (not an employee of ours).	On a transfer of your franchise agreement to a buyer who was already in our sale database at the time you and the buyer began discussing a sale.	Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.
Renewal Fee	\$5,000	When you sign a renewal franchise agreement.	
Insufficient Funds or Late Payment Fee	Currently \$300, subject to change.	On due date of Royalty, National Advertising Fee, and Technology Fee, if payment not made in full.	Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.
Convention Fee	Currently \$100 per month plus travel, accommodation and some meals. Fee will vary depending on venue and location but will not exceed \$2,000 annually.	Same as Royalty. Paid in monthly installments in advance. Travel, accommodation and meals are due as required by service providers.	Attendance at Annual Convention is mandatory.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Optional Meetings and Trainings	As determined by us, but generally \$100 - \$1,500 depending on venue and mode of delivery plus travel, accommodation and some meals.	By registration date. Travel, accommodation and meals are due as required by service providers.	
Additional Training Requested By You	Currently \$500 per day, plus travel and expenses.	Immediately after notice from us.	Paid to us if, at your request, we send one of our staff members to the Franchised Business to provide further assistance. We will charge you a daily rate for that assistance, plus the travel expenses for our employee.
Audit	Cost of inspection or audit.	Upon demand.	If audit is required due to your failure to report or your records and procedures are insufficient to determine Gross Revenue or audit reveals Gross Revenue or Continuing Royalty are understated by 5% or more you must pay all costs of audit.
Insurance	You must reimburse our costs.	Upon demand.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Costs and Attorneys' Fees	Varies	Upon demand.	If you breach the franchise agreement and we prevail in any arbitration or litigation, you will owe us our reasonable attorneys' fees and costs.
Indemnification	Varies	Upon demand.	You must reimburse us for costs and expenses related to certain claims against us.

1. All fees are imposed and collected by and payable to us. Upon our written request, you must sign any document we require to authorize us to withdraw Royalties, National

Advertising Fees, Technology Fees and any other ongoing fees directly from your bank account. All fees are non-refundable and uniformly imposed.

2. You must pay us a blended rate monthly Royalty calculated in the aggregate for all of your territories equal to:

<b>Monthly Royalty</b>	<b>Aggregate Gross Revenue for Prior Month</b>
7.0%	\$0 - \$30,000
6.0%	\$30,000.01 - \$60,000
5.0%	\$60,000.01 - \$90,000
4.0%	\$90,000.01 and above

For example, if your aggregate Gross Revenue for the prior month is \$75,000, you will pay 7% for the first \$30,000, 6% for the second \$30,000 and 5% for the last \$15,000.

You must pay us, in the aggregate for all of your territories, the greater of: (a) the monthly Royalty as calculated above; or (b) a minimum royalty of \$750 per month for the first year and \$1,500 per month thereafter. There is no minimum royalty payable for the first three months of the initial term of your first franchise agreement.

Gross Revenue is defined in the franchise agreement and includes sales in Gray Areas.

3. The Van Support Fee covers our costs of production, administration, ongoing van support through our AUSSIE PET MOBILE® Van Support Program, and research and design. The Van Support Program is a warranty management and support system to assist you with working through and addressing certain repair issues that may arise with aspects of your Sprinter Van or the Designated Equipment installed in your Sprinter Van.
4. If you are selling to a new franchisee, the transfer fee includes initial training.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Be Made
Initial Franchise Fee <sup>1</sup>	\$19,950	Lump sum or financed through us. Refer Item 10.	When you sign the franchise agreement.	Us
Territory Fees <sup>2</sup>	\$100,000	Lump sum or partially financed through us. Refer Item 10.	When you sign the franchise agreement.	Us
Sprinter Van Down Payment for Financing Arrangement <sup>3</sup>	\$25,000 - \$30,000 for first Van	Lump sum	On execution of the financing arrangement.	Authorized supplier.
Sprinter Van and Designated Equipment Package monthly financing payments <sup>4,5</sup>	\$2,840 per month for 60 months per Van (\$8,520 for first three months for first Van)	As required under the financing arrangement	Monthly	Authorized supplier.
Computer Hardware and Software	\$0 - \$750	As Arranged	As Arranged	Suppliers and Vendors
Business Licenses	\$350	As required	As required	Local Agency
Grand Opening Advertising <sup>6</sup>	\$4,500 – \$6,000 over first three months	As arranged	As arranged	Authorized Suppliers
Insurance <sup>7</sup>	\$2,400 (\$800 per month) for first Van	As arranged	As Incurred	Insurance Broker
Expenses During Training <sup>8</sup>	\$1,475 - \$3,650	As arranged	As Incurred	Service Providers
Shipping of Customized Van <sup>9</sup>	\$0 - \$3,400 for first Van	Lump Sum	On delivery of Customized Vehicle	Authorized supplier

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Be Made
Online Marketing Package <sup>10</sup>	\$1,650 (\$550 per month)	Monthly	As arranged	Authorized supplier
Cold Weather Customized Van Storage <sup>11</sup>	\$0 - \$1,500 for first Van	As Incurred	As Incurred	Storage facility
Additional Funds – 3 Months <sup>12</sup>	\$15,000 - \$25,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>Total Estimated Initial Investment<sup>13</sup></b>	<b>\$ 178,845 - \$203,170</b>			

None of the fees or payments you make to us are refundable. Whether payments to others are refundable depends upon the arrangements you make with them. Except as disclosed in Item 10, we do not offer direct or indirect financing for any of the above items.

1. Payable only with your first franchise agreement. The Initial Franchise Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5.
2. If you are buying your Territories from us rather than from an existing franchisee, when you sign the franchise agreements you must pay us a Territory Fee of \$40,000 for your first Territory, \$30,000 for your second Territory and \$30,000 for your third Territory. If you buy an additional territory at a later time, the Territory Fee will be the same as the then-current Territory Fee. The Territory Fees are discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5.
3. You must acquire a new white Sprinter Van with all subcontracted modifications as described below and install the Designated Equipment Package before beginning operations. You must acquire at least one new white Sprinter Van and Designated Equipment Package for each of your Territories.

Each Mercedes Benz Sprinter Van is special-ordered by us on your behalf to include the following features: 144” wheelbase; high roof; 4 or 6 cylinder turbo diesel engine; 7 speed, GTronic automatic transmission; heated driver’s seat; 220 amp alternator; parabolic, heated and folding side mirrors with blind spot assistance; two-way, 12 volt ceiling fan system; advanced Mercedes Benz connectivity; multi-function steering wheel controls; keyless start and entry; backup camera ; window in the cargo door . Options ordered may change based on availability.

We have a long-standing relationship with Mercedes Benz and we custom order each Sprinter 2500 Van from our authorized Mercedes Benz dealers. Due to this relationship, our franchisees

are currently given a \$1,000 volume discount on each Sprinter Van acquired. The volume discount may be changed by Mercedes Benz at any time without notice. The estimated cost of each Sprinter Van is approximately \$60,000 after your volume discount.

We require that the Customized Van and Designated Equipment Package be financed. The above chart provides monthly loan payment information based on a first Customized Vehicle purchase price of \$60,000 to \$65,000 and a cash down payment of \$25,000 to \$30,000, which a lessor/lender typically requires. (The actual cost of your van may vary somewhat but is anticipated to be approximately \$60,000 to \$65,000, depending on the time of purchase, the vehicle source, and other variables.) Monthly payment information is based on estimates made as of the date of this disclosure document and assumes approximately 8% APR, a franchisee with an A+ credit rating and a 60-month financing term. Franchisees with a lower credit score may be required to provide a higher down payment and/or pay higher interest charges and otherwise be given less favorable terms. Based on these assumptions, we estimate a monthly payment for each Sprinter Van will be approximately \$2,840 which includes the financing of the Designated Equipment Package. The cost of vehicle registration, but not sales tax, is included in these estimates for vehicles obtained through one referred vendor's loan program. All financing terms/criteria, including lender interest rates, are subject to significant fluctuations.

Occasionally, depending on market availability and the prevailing economic conditions, we may be able to refer you to lenders who may offer you a loan for the acquisition of a Sprinter Van on then current available terms, which will also be dependent upon your credit rating at the time. Available vehicle loan prices vary and the terms of any available loan, including the interest rate and term, will vary depending on your credit worthiness, changes in credit markets and other factors which are not under our control. You can work with a preferred lender or not, at your option. We cannot give you any guarantees or make any representations as to availability, the exact terms, conditions or otherwise of any financing arrangements for your Sprinter Van.

You should discuss terms with your lender. The economy and financial markets are changeable. The availability of, and terms from, lending sources typically adjust with the economy.

4. The monthly loan range assumes 3 months of payments in the amount of \$2,840 each, for a total during that period of \$8,520. Our estimate includes the cost of financing the Designated Equipment Package. Our estimate excludes state and county sales taxes and license fees and you should note that in some States these fees cannot be financed and will be required to be paid on or before the execution of a financing contract. You should investigate your own state requirements.

Also excluded is the cost of any extended warranty/vehicle maintenance packages, which we do not require you to have, but which may be included as part of a lender's financing terms.

5. We have developed our customized and proprietary Designated Equipment Package which must be fully installed in your Sprinter Van according to our specifications before beginning operations. The cost of the Designated Equipment Package is between \$70,000 and \$80,000 and is included in the monthly payment for the Van (see footnote 4). The Designated Equipment Package includes our proprietary Hydrobath and other specialized equipment

described in greater detail in the Franchise Agreement. The interior of the Van has been designed to include structural and technological features that have the added benefits of fuel and energy efficiencies making it more environmentally friendly. Also included in this customization of the various fixtures in the Sprinter Van are our unique, insulated and finished ceilings, waterproof flooring and wall partition panels made from molds developed and owned by us, along with our exclusive tub enclosure design that holds the Hydrobath. We will work with the Mercedes Benz dealer to deliver your Sprinter Van to our certified independent contractor for this installation. The price includes labor to install the Designated Equipment Package but does not include sales tax.

6. You must spend at least \$1,500 per month on a grand opening marketing program during the first three months of operation of your Franchised business. This amount is for a search engine optimization Boost Campaign and other marketing tactics through BizMktg.com.
7. This is an estimate for the first three months of operation. The annual cost of insurance is approximately \$9,600, payable in monthly installments, and will increase with the addition of Customized Vehicles. See Item 8 for our insurance requirements.
8. We will provide you with a \$1,000 travel voucher to attend training. All costs of transport, accommodation and meals that you and your employees incur in excess of \$1,000 are payable by you.
9. The cost of shipping your Customized Vehicle depends on the distance from our facility to your location.
10. You must purchase an online marketing package from our designated third party supplier for, among other things, social media posts, email campaigns, inbound phone call tracking, local business listing claiming, digital marketing support and associated services. The current rate is \$550 per month. This estimate does not include the optional purchase of digital advertising.
11. If your Franchised Business is located in a cold weather climate (temperatures below 32F), you should arrange for undercover or enclosed storage for your Customized Vehicle during periods of extreme weather to prevent damage and operational problems. Your cost will be dependent on weather conditions at the time you place the Customized Vehicle into operation and the demand for and related costs of storage facilities.
12. This is an estimate of funds needed to cover operations during the first three months after your Franchised Business opens. Your costs will depend on factors such as your technical, marketing and general business skills, local economic conditions, the local market for your business, competition, location and the sales levels you achieve. This estimate does not include any personal living expenses you may incur during this time. We have based this estimate on our experience of over 20 years in the industry. We recommend that you have sufficient personal savings and/or income so that you will not need to draw funds from the Franchised Business for at least 24 months after commencement of operations.
13. You may experience additional initial pre-opening and start-up expenses not otherwise mentioned in the above table, including but not limited to taxes, payroll, marketing, labor, merchant processing, bank services, entertainment and/or employee recruiting. The amounts in the table are our estimates based on average costs and market conditions prevailing as of the date of this disclosure document, our experience in the industry since 1999 and the experience

of our existing franchisees.

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

You must operate your Franchised Business in accordance with our methods, standards, and specifications, which we prescribe in our Confidential Operations Manual (“Manual”), our proprietary and confidential operations portal (also known as the “Aussie Customer Management System” or “ACMS”), and various other confidential manuals, writings, and other information prepared by us for your use in operating the Franchised Business which are provided on ACMS or other means. We may periodically change our standards and specifications at our sole discretion, and you must comply with all changes.

### Lead Source Tracking

You must participate in our corporate phone tracking system which utilizes dynamic telephone numbers to track the source of your leads.

### Customized Vehicle

You must obtain your Sprinter Vans from our authorized supplier and only use an approved service center for repairs and maintenance of the Customized Vehicle, Hydrobath and all other Designated Equipment. We have one authorized supplier for Sprinter Vans and one authorized van conversion contractor as of the date of this disclosure document. Our authorized supplier of Sprinter Vans currently offers a \$1,000 volume discount for each Sprinter Van purchased by one of our franchisees; this offer could change or be withdrawn. Currently, the entire volume discount is applied to decrease the cost to our franchisees of each Sprinter Van, but we reserve the right to derive revenue in the future from franchisees’ purchases of Sprinter Vans.

### Designated Equipment

Currently, we are the sole approved source for certain portions of the Designated Equipment, including the Designated Equipment Package, as well as the Aussie Customer Management System and Initial Business Training. During the fiscal year ended 12/31/23, we received \$2,638,122 or 38% of our total revenues of \$6,981,416 from the purchase of these goods and services by franchisees.

### Website

We will include your business on our website. You must purchase a search engine optimization plan for your grand opening marketing from our designated supplier. . See Item 7.

### Insurance

In addition to the purchases or leases described above, you must obtain and maintain, at your own expense, the insurance coverages that we periodically require. Your insurance policies must be issued by insurance companies with a rating of A-VII or better as reported in the most recent edition of A.M. Best’s Insurance Report. Our required insurance coverages will be included in the Manual and may change during the term of your franchise agreement. We may regulate the types, amounts, terms and conditions of insurance coverage required for your Franchised Business



and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or permissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims.

You currently must maintain the following minimum insurance coverages:

1. Minimum Commercial General Liability coverage of \$1,000,000 per occurrence and \$2,000,000 aggregate. Animal bailees coverage must be included. Aussie Pet Mobile, Inc. to be named as additional insured.
2. Auto Liability Insurance with owned, hired and non-owned auto liability coverage of \$1,000,000 per vehicle. Uninsured motorist coverage of \$300,000 must be included. \$75,000 coverage for damage to each Customized Vehicle to be included with deductible of no more than \$1,000. Aussie Pet Mobile, Inc. to be named as additional insured.
3. Business Interruption Insurance to provide continued payment of amounts due or to become due to us and/or any affiliate under the Franchise Agreement.
4. Umbrella Liability Insurance with minimum umbrella liability limit of \$1,000,000 per occurrence. Aussie Pet Mobile, Inc. to be named as additional insured.
5. Workers' Compensation Insurance with minimum limits per state statute. Aussie Pet Mobile, Inc. to be named as additional insured.

Employment Practices Liability Insurance with minimum limit of \$1,000,000 is recommended.

You must maintain all required policies in force during the entire term of the franchise agreement and any renewal terms. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us (and, if we request, our directors, officers or employees) as additional insured and must provide us with 30 days' advance written notice of any material modification, cancellation or expiration of the policy. We reserve the right to obtain from your insurance carrier(s) periodic reports of losses (such as monthly, quarterly and/or annually), and you must authorize your insurance carrier(s) to provide us with these reports.

If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we at our option and in addition to our other rights and remedies, may, but shall not be required to, obtain such insurance coverage on your behalf, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us. (See Items 7 and 11).

## Computer Equipment

You may not use any hardware and/or software in the operation of the Franchised Business that differs from our specifications without our prior approval, which approval will not be unreasonably withheld. (See Item 11).

## Approved Products and Services

All supplies, equipment, and computer software used by you in the Franchised Business must meet our then-current System standards and specifications, including but not limited to branding requirements (including color and label requirements), which we will establish and modify at our discretion. You may incur an increased cost to comply with such changes. These specifications include standards for customer satisfaction and performance and are subject to change from time to time.

## Approved Sources

You must purchase your equipment, products, and supplies only from us or our approved suppliers as described in the Manual. From time to time we, an affiliate, or a third-party vendor or supplier may be the only approved supplier for certain products or services. You must purchase all items using or bearing our trademarks directly from us or an approved vendor. These items include, but are not limited to, employee clothing, uniform shirts or other items used in the Franchised Business. You will pay the then-current price in effect for all purchases you make from us, our affiliates or any third-party vendor we designate.

## Allowances

We may retain rebates, allowances or cooperative advertising dollars (collectively "Allowances") we receive from suppliers. During the fiscal year ended 12/31/23, we received \$34,805 or 0.5% of our total revenues in rebates from our approved supplier of marketing services. Other than for marketing services, we do not derive any revenue or other consideration as a result of your required purchases or leases as of the date of this disclosure document.

We and our affiliates reserve the right to receive rebates or other consideration from required or approved suppliers in connection with your purchase of products and services as described in this Item 8 as well as in connection with any future purchase of any products or services. Usually, these payments will be calculated based on the volume of products and service sold. We will retain and use such payments as we deem appropriate or as required by the supplier.

We derive immediate revenue from items we sell directly to you by charging you more than our cost.

## Approved Suppliers and Approved Supplies Lists

We will set forth in the Manual a list of approved manufacturers, suppliers and distributors ("Approved Suppliers") and a list of approved inventory, products, fixtures, equipment, supplies and other items or services ("Approved Supplies") necessary to operate the Franchised Business. We reserve the right to designate a required source of supply for certain products and supplies that we determine to be essential and/or proprietary to our System and we or an affiliate may be an exclusive required source.

Approved Suppliers and Approved Supplies also may include other specific products without reference to a particular manufacturer or supplier, or they may set forth the specifications and/or standards for other approved products. For example, as noted above, you must obtain insurance that meets our standards and requirements. We may revise the Approved Suppliers and Approved Supplies from time to time as we deem advisable.

If you propose to use in the operation of your Franchised Business any service, product, supply, material, furnishing or equipment which has not yet been approved by us as conforming to our specifications and quality standards and/or from a supplier not yet approved in writing by us, you must first notify us in writing and must submit to us sufficient information, specifications, and samples so that we can determine whether the item or service complies with System standards. We will provide you with written approval or disapproval within a reasonable time period (typically 30 days) after you have supplied all the information we request from you. You may not use any supplier, service, product, supply, material, furnishing or equipment that we have not approved.

Supplier approval will depend on service or product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, and/or a supplier's willingness to pay us or our affiliates for the right to do business with our System. We may revoke our approval if, in our sole judgment, the supplier fails to continue to meet our criteria and specifications.

Nothing contained in this disclosure document or in the franchise agreement requires us to approve an inordinate number of suppliers of a given item or approve suppliers, which, in our reasonable judgment, would result in higher costs to our franchisees or prevent, in our sole judgment, our effective and economical supervision of suppliers.

We do not provide you with material benefits based upon your purchases of particular products or services or use of particular suppliers.

Assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7, we estimate that the proportion of your purchases and leases of goods and services from approved suppliers or of products that meet our specifications will be approximately 70% to 75% of your purchases and leases in establishing your AUSSIE PET MOBILE® Franchised Business and approximately 25% to 30% of your ongoing costs of operation.

We currently negotiate purchase arrangements with several approved vendors/suppliers, including the suppliers of Sprinter vans, telecommunication services, credit card processing, grooming supplies, and online marketing, for the benefit of our Franchisees. We may discontinue some or all of these arrangements and/or may negotiate different or additional arrangements in the future.

There are no formal or mandatory purchasing or distribution cooperatives in the AUSSIE PET MOBILE® System.

There are no approved suppliers in which any of our officers owns an interest.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

### FRANCHISEE'S OBLIGATIONS

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

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a	Site selection and acquisition/lease	Not applicable	Not applicable
b	Pre-Opening purchases/leases	§ 3, 4, 7 and 8	Items 5, 7, 8 and 11
c	Site development and other pre-opening requirements	§ 3 and 8	Items 7 and 11
d	Initial and ongoing training	§ 7	Items 7 and 11
e	Opening	§ 3	Item 11
f	Fees	§ 4	Items 5, 6, 7, 8 and 11
g	Compliance with standards and policies/Operation Manual(s)	§ 2, 3, 4, 5, 6, 7, 8, 9, 12, 13, 14 and 16	Items 8, 11 and 16
h	Trademarks and proprietary information	§ 2, 6, 7, 8 and 12	Items 8, 13 and 14
i	Restrictions on products/services offered	§ 8	Item 16
j	Warranty and customer service requirements	§ 2, 4, 8 and 13	Items 6 and 8
k	Territorial development and sales quotas	None	Item 12
l	Ongoing product/service purchases	§ 8	Item 8

	<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
m	Maintenance, appearance and remodeling requirements	§ 3, 5 and 8	Item 11 and 17
n	Insurance	§ 8	Items 6 and 8
o	Advertising	§ 2, 4, 6, 8 and 12	Items 6 and 11
p	Indemnification	§ 13	Item 6
q	Owner's participation / management / staffing	§ 8	Item 11 and 15
r	Records/reports	§ 3 and 8	Items 6, 11 and 17
s	Inspections/Audits	§ 8	Item 6, 11 and 17
t	Transfer	§ 9	Item 17
u	Renewal	§ 5	Item 17
v	Post termination obligations	§ 12	Item 17
w	Non-competition covenants	§ 8	Item 17
x	Dispute Resolution	§ 11	Item 17
y	Personal Covenant and Guarantee	Schedule 1	Item 10 and 15

## **ITEM 10. FINANCING**

If you meet our credit standards, we will, at your request, provide financing as shown below.

To obtain financing, you must sign a Secured Promissory Note and General Security Agreement substantially in the form of Exhibits I and J to this disclosure document. No separate personal guaranty is required to obtain financing. Payments begin with the first royalty due date. The note can be prepaid without penalty at any time during its term. The General Security Agreement grants us a security interest in substantially all of your assets to secure your payments under the Secured Promissory Note. You waive your right to notice of a collection action and to assert any defenses to collection against us.

Key terms are as follows:

Item Financed	Amount Financed	Min. Down Payment	Term (months)	Rate of Interest Plus Finance Charge	Monthly Payment	Prepay Penalty	Liability On Default	Loss of Legal Right
Initial Franchise Fee and Part of Territory Fees	\$80,000	\$0	60	10%	\$1,699.76	None	Lose franchise, pay unpaid balance, attorney fees, and costs	Waive notice

We do not receive any direct or indirect payments or other consideration from any person for the placement of financing.

Although we have never done so, we have a right to sell your promissory note at a discount rate to a third party which may be immune under the law to any defenses to payment you may have against us. We do not guarantee any notes, leases, or 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.**

**Pre-opening Assistance**

Before you begin operating your business, we will provide you with the following assistance:

1. Designate your Territory. (Franchise Agreement §§ 1.16, 2.2, Schedule 2.)
2. Allow you to use our Marks. (Franchise Agreement § 6.1)
3. Custom order your Sprinter Van.
4. Provide you with and arrange installation of a Designated Equipment Package at our then-current fee. (Franchise Agreement §§ 4.3, 8.1, )
5. Enroll you in the online AUSSIE PET MOBILE® Van Support Program (“VSP”). (Franchise Agreement § 7.11)
6. Provide an initial training program. (Franchise Agreement § 7.1)
7. Provide you with an initial groomer kit.
8. Provide you with proprietary information for use in connection with training your staff.

(Franchise Agreement § 7.3)

9. Provide you with electronic access to the Manual and other documents which include confidential and proprietary information, including our standards and specifications. You must operate the Franchised Business in accordance with the Manual and all applicable laws and regulations. The Manual may be amended or modified to reflect changes in the System. You must keep the Manual confidential and may not copy any part of the Manual without our consent. The Manual has 161 pages as of the date of this Disclosure Document. (Franchise Agreement §§ 7.3, 8.6.)
10. Provide you with a dedicated phone number which you must use in connection with your Franchised Business and in all marketing items. (Franchise Agreement § 8.9).

### **Site Selection and Time to Opening**

Before you purchase the Franchised Business, you and we jointly agree on the Territory in which you will operate your AUSSIE PET MOBILE® Franchised Business. We develop Territories based on population and zip codes. A typical Territory will include approximately 33,000 households. The population of a Territory may vary depending on the characteristics of a particular Territory in our Business Judgment. Since the business is mobile, we expect that you will run your AUSSIE PET MOBILE® Franchised Business from your home and no site approval is required.

The typical length of time between the signing of the Franchise Agreement, and opening your Franchised Business, is 90 days. You must open your Franchised Business within 6 weeks after successfully completing training and, in any event, within 6 months after the Effective Date of the Franchise Agreement. (Franchise Agreement, § 8.1) Factors affecting this length of time include completion of training, delivery of your Sprinter Van to us for installation of the Designated Equipment Package and customization of your Sprinter Van.

### **Post-Opening Obligations**

During the operation of your Franchised Business, we will provide the following services and assistance to you:

1. Police the Marks and distinguishing characteristics as necessary (in our sole discretion) to protect the System. (Franchise Agreement § 6.6)
2. At our option, hold a Convention of franchisees and other meetings to discuss topics which we determine to be appropriate and in the best interests of the System, such as trends in services, sales techniques, performance standards and marketing programs. (Franchise Agreement § 7.10)
3. Provide you with ongoing advice and assistance as we reasonably determine necessary and appropriate regarding the management and operation of the Franchised Business. Our advice and assistance may be provided through telephone, email, intranet communication, on-site visits, or other means. At your request, we will make additional or refresher on-site training available at your business as we deem appropriate, at the rate of \$500 per day plus travel and living expenses. (Franchise Agreement §§ 7.6, 7.7)

4. If you provide staff to act as a Level 2 or Level 3 Trainer (as defined in the Manual), we will provide you with guidelines, curricula, operating standards, training, servicing and operating schedules. If we deem you to be qualified to provide training to other AUSSIE PET MOBILE® franchisees and their employees and if you provide such training, referring franchisee will compensate you typically at a rate of \$1,500 per Level 2 or Level 3 Trainer per 96 hours of training. (Trainer Services Agreement § 3)
5. Establish and maintain a website that provides information about the AUSSIE PET MOBILE® System and identifies you and our other franchisees. (Franchise Agreement § 8.15)
6. Operate a toll-free telephone number to be used by all our franchisees. (Franchise Agreement § 8.9)
7. Establish and maintain, at our option, an electronic portal through which we disseminate the Manual as well as marketing collateral, training and other digital assets. (Franchise Agreement § 8.17)

We are not required to, and do not, assist you in establishing prices, such as setting minimum and/or maximum prices at which you must sell products and services.

Other than custom ordering your Sprinter Van and arranging for the installation of the Designated Equipment Package as described above, we do not provide assistance with providing equipment, signs, fixtures, opening inventory and supplies.

You will agree in your Franchise Agreement that we are not joint employers of your employees and other personnel. We do not and will not share or codetermine any of your employees' essential terms and conditions of employment. More specifically, in no case do we have any authority to determine or set your employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. You alone have sole authority to determine any or all of your employees' essential terms and conditions of employment.

### **Advertising**

You must pay the greater of 2% of your Gross Revenue for the immediately preceding month or \$500 each month to the National Advertising Fund.

We will administer the National Advertising Fund. We will spend National Advertising Fees for local, regional and national advertising and public relations programs and initiatives as we deem necessary or appropriate for the promotion or protection of the System including website development and maintenance, public relations, media costs, commissions, digital marketing, market research, creative and production costs (Franchise Agreement § 4.4(f), (g)).

The money in the National Advertising Fund is used primarily to drive brand recognition at the national level, enhance the AUSSIE PET MOBILE® image, as well as the development of a turn-key local area marketing toolkit to be leveraged in each new franchisee's local area (Franchise Agreement § 4.4). A secondary benefit of some national programs is lead generation. During the



year ending December 31, 2023, we spent the National Advertising Fund as follows:

- 0% Production (content creation, new technology platforms)
- 74% Media Placement (digital advertising, email marketing, social media)
- 18% Administrative
- 8% Other (call center, phone service)

We use several advertising agencies to provide us with advertising materials and assist with media planning and buying in various types of media. We also provide in-house advertising support.

Businesses owned by us or our shareholders and affiliates or franchisees who purchased under prior offerings may contribute to the National Advertising Fund at a different rate or not at all. We alone will determine all matters involving advertising, public relations, and promotional campaigns. On a national or regional basis, we may impose an additional assessment on affected franchisees for special advertising or promotional activities if two thirds of all affected AUSSIE PET MOBILE® Franchised Businesses agree in writing (Franchise Agreement § 4.4 (d)).

Some local advertising is funded by the National Advertising Fund. You will also place your own local advertising. You are required to invest the amount specified in the Manual on local advertising (Franchise Agreement § 8.7(a)). You may purchase advertising materials from us or develop advertising materials for your own use, at your own cost, but we must approve the advertising materials in advance and in writing.

As of the date of this Disclosure Document, your Franchised Business marketing must include the development and maintenance of a website managed and approved by us. You must purchase local area marketing services from our designated supplier, under its internet marketing package. The package is a turn-key internet sales and marketing product which includes business web apps, and a host of related tools and resources, all of which can be viewed on the supplier's website. The current rate is \$550 per month. You may, although you are not required to, authorize our designated supplier to purchase digital advertising with providers such as Google, Bing and Yahoo. You are solely responsible for all payments to our designated supplier and must maintain your account with them in good standing. We are not responsible for the supplier's performance in any manner.

You must spend at least \$1,500 per month on a grand opening marketing program during each of the first three months of operation of your Franchise Business. The grand opening marketing program is a SEO (search engine optimization) Boost plan from our designated supplier.

We have a Franchise Advisory Council consisting of 6 franchisee representatives across the United States. The purpose of the FAC is to advise us in connection with issues facing franchisees, including but not limited to advertising policies. Members are elected by the franchise body. The FAC serves in an advisory capacity only and does not have operational or decision-making power.

We do not and are not, in any way, required to spend any National Advertising Fees in your Territory. However, all National Advertising Funds are spent to benefit all AUSSIE PET MOBILE® franchisees generally, including you.

If we do not spend all National Advertising Fees collected during the year, the remaining money is retained for future years. National Advertising Fees are not refundable or rebated to you. None of the National Advertising Fees are used primarily to solicit franchise sales. Our advertising may include a telephone number to call about franchising opportunities.

We will deposit National Advertising Fees into a separate national advertising operating account. No interest is credited for your benefit or paid to you (Franchise Agreement § 4.4). The National Advertising Fund is not in a trust, fiduciary relationship, or any other similar special arrangement.

Upon your request, we will provide you with a summary statement of annual receipts and expenditures from the National Advertising Fund during the prior calendar year on or before March 31 (Franchise Agreement § 4.4). The National Advertising Fund is not separately audited from our general funds audit.

In the future, we may establish a national support services network providing qualified representatives to handle customer problems. The cost of that service may be paid partially or wholly from the National Advertising Fund.

We can require advertising cooperatives to be formed, changed, or merged; and, we can dissolve a cooperative if it is not conducting its affairs in the best interests of the System, or contrary to System requirements. All votes of franchisees in a cooperative area will be based on one vote per territory. At the present time, no advertising cooperatives exist.

If we determine that an advertising cooperative is appropriate, we will designate the area, which, in our judgment, includes franchisees with common needs and interests. Franchisees within an advertising cooperative area will contribute the same amount or percentage to the common cooperative fund. Any franchisor outlets within the cooperative area will contribute to the advertising cooperative fund in the same manner as the other franchisees. The franchisees within an advertising cooperative area will administer the cooperative and determine whether governing documents will be developed and utilized. Similarly, the members of the cooperative will determine whether annual or periodic financial statements will be prepared and made available for review by the franchisees. You are required to participate.

We are not required to spend any amount on advertising in your Territory.

You may not develop, create, generate, own, lease, or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols, or terms confusingly similar to any of them without our express prior written consent (Franchise Agreement § 6.7). You may not use the Marks to promote the Franchised Business via social media without our prior written consent (Franchise Agreement § 6.8).

### **Computer and Software**

You must obtain a computer, computer software, and printer to use in your Franchised Business with the following minimum specifications: 8<sup>th</sup> generation Intel Core i7 processor;

Windows 10 operating system or later (or MAC equivalent); 16 GB RAM, 500 GB SSD hard drive and a 17-inch monitor; and a combination printer/scanner/fax machine. The equipment will cost approximately \$1,200 - \$1500 (this amount is included in Item 7 initial investment estimate), unless you elect certain upgrades. We do not have any obligation to provide ongoing maintenance, repairs, upgrades or updates of your equipment. There is no contractual limitation on our right to mandate upgrades and updates.

We may introduce proprietary software solutions or products that replace software previously provided by a vendor. You may incur additional software fees from third party vendors including but not limited to QuickBooks® and CareerPlug™. The monthly software fees to these vendors do not cover the cost of any upgrades to the software from us or our vendors.

### QuickBooks® Accounting Application

We require you to use QuickBooks® as the accounting application for your Franchised Business. The software is owned and developed by Intuit and can be set up as an online service. You must comply with our requirements and standard processes to maintain accurate and up to date accounting records. You will provide monthly and other reports as determined by us, including updating master file records to comply with changes in accounting practices. As with all computer and internet information we always have complete access to all of this information.

The accounting support we provide includes responses to questions related to the accounting standards and general use of the software. The technical support for the software is provided by the QuickBooks® hosting vendor.

### CareerPlug™ Recruiting Application

We recommend you use the CareerPlug™ employee recruiting application for your Franchised Business. The software can be set up as an online service. Currently, we have negotiated a preferred rate of \$45 per month per owner. However, the monthly rate may increase over time and is solely determined by CareerPlug™.

### ProfitKeeper® Analytics Platform

We require you to use the ProfitKeeper® analytics platform for your Franchised Business. The cost is covered by the Technology Fee.

As with all computer and internet information we always have complete independent access to all of this information.

You must use the Aussie Customer Management System (“ACMS”). ACMS is our proprietary system for customer management, reporting, marketing and dispatching. Although we have no contractual obligation to provide ongoing maintenance, repairs, upgrades or updates, we currently do so as part of your Technology Fee. If you wish to give any of your employees access to ACMS, currently you must contact us to authorize the addition, modification or deletion of account login information, and you are solely responsible for your employees’ use of the ACMS.

Subject to your compliance with the Franchise Agreement and with our Terms of Use and Professional Code of Conduct, we may permit you to access our Aussie Customer Management System (“ACMS”). The ACMS includes a communications forum, chat rooms and may also

provide franchisees with a mail system, news, and library of AUSSIE PET MOBILE® materials, including manuals and advertisements, reporting and other functions that may be accessed by other franchisees, our affiliates and approved third parties. The ACMS is our proprietary property and may contain confidential information. We have no contractual obligation to provide the ACMS or its ongoing maintenance, repairs, upgrades or updates. Access to the ACMS may be restricted or denied at any time at our sole discretion.

## **Training**

### **Initial Training**

For your first franchise with us, initial training is included in the Initial Franchise Fee. We will provide the Initial Business Training Program over a 4 day period and virtual pre-training and arrange for a 96-hour Basic Groomer Training Program for you, at a time and place that we select. We will help arrange a 1 – 2 day basic training for experienced groomers at a nearby franchisee to learn the Aussie 15-Steps and the Sprinter Van equipment. You must attend and complete our Business Training Program, which is currently held at the HFC Experience Center in Coppell, Texas, to our satisfaction before beginning operation of your AUSSIE PET MOBILE® Franchised Business. An employee of yours must participate in and complete our Basic Groomer Training Program to our satisfaction or have sufficient grooming experience to support a request to waive some or all aspects of groomer training before you begin to operate your AUSSIE PET MOBILE® Franchised Business.

Basic Groomer training for non-experienced groomers is delivered through an AUSSIE PET MOBILE® franchised business we select near your territory. Training is conducted on an as needed basis. You will receive a travel voucher for \$1,000 to attend initial training. All costs in excess of \$1,000 are payable by you. You must at all times have at least one person working in the Franchised Business who has completed the Business Training Program and the Basic Groomer Training Program. If at any time additional Basic Groomer or Business Training is required you will pay the then applicable fee for the applicable training program and you will be responsible for all travel, living, incidental and other expenses and compensation for you or your authorized personnel attending any training program. You are encouraged to obtain and maintain a Level 2 or 3 Trainer (as defined in the Manual) on your staff to carry out groomer training for your staff.

### **Ongoing Training**

We will arrange for additional or ongoing training for you and your employees at your cost after any written request or if we feel the additional training is necessary. You may be charged a reasonable fee for additional or ongoing training, and you will be responsible for all travel, living, incidental and other expenses and compensation for you and your authorized personnel attending any training program. Fees for our optional ongoing training programs as of the issuance date of this disclosure document range from \$100 to \$1,500. We may effectuate ongoing training through electronic media or otherwise as we consider appropriate in our reasonable discretion. Training will take place at a site we designate and is subject to change.

The ongoing training programs may include seminars and conferences of special interest including clipping and grooming techniques, changes to any systems and procedures, new pet grooming products and services and marketing techniques. We may also provide training opportunities through our webinars, intranet forums and franchisee troubleshooting assistance with

Customized Vehicle operations.

Our training program is supervised by Jill Rashdi, our Director of Learning Experience. Ms. Rashdi has been in this role since February 2023 and has been a leader in the field of learning and development for various brands since 2012. Classes will be taught by members of our corporate staff, existing AUSSIE PET MOBILE® franchisees and/or their employees officially designated as Level 2 Trainers with a minimum of 6 months’ experience as an AUSSIE PET MOBILE® franchisee or employee, or Level 3 Trainers with a minimum of 12 months’ experience as an AUSSIE PET MOBILE® franchisee or employee.

## TRAINING PROGRAM

### AUSSIE PET MOBILE® Business Training

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Welcome Roadmap Competitive Marketplace Business Planning Insurance Overview Supplies & Uniforms Overview and Q&A	7 hours	0 hours	Coppell, TX or other designated location
Review/Q&A Marketing & Communications Strategy Groomer Hiring	7 hours	0 hours	Coppell, TX or other designated location
Review/Q&A Pricing Inbound Call Strategy Rebooking Tactics	7 hours	0 hours	Coppell, TX or other designated location
Introduction to ACMS			
Review/ Q & A Financial Models & Pro Forma From Training to Start Up – Timeline and Checklist Pet Mobile Training	7 hours	0 hours	Coppell, TX or other designated location
Dispatching Workshop	4 hours	0 hours	Coppell, TX or other designated location

**AUSSIE PET MOBILE® Basic Groomer Training**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Understanding Dogs The Approach Reward Time Practical - First Dog Wash, Dry, Groom Customized Vehicle Understanding 15-Step Washing/Drying/Grooming Large and Small Dogs	0 hours	16 hours	Various Locations in the US
Dog Check 15-Step Washing/Drying/Grooming Large and Small Dogs Grooming and Clipping Theory Puppy Cuts and Shavedowns Specific Breeds and Tools Applied 15-Step Washing/Drying and Grooming (focus on brushing the coat, cleaning the eyes, cleaning the ears, clipping the nails and blow drying) 15-Step Washing/Drying and Grooming a Variety of Breeds Customized Vehicle Hygiene	0 hours	24 hours	Various Locations in the US
Refresher Customer Service 15-Step Washing/Drying/Grooming a Variety of Breeds Dog Breed Cuts Continue 15-Step Wash and Grooming Appointments Feline Check Feline 15-Step Washing/Grooming Using a Feline Bathing Apparatus	0 hours	24 hours	Various Locations in the US

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Continue 15-Step Wash and Grooming Appointments with Focus on Hairclipping (Breed Cuts and Puppy Cuts) Continue 15-Step Wash and Grooming Appointments with Focus on Basic Hygiene Clips Cat Lion Cuts and Kitty Cuts Continue 15-Step Wash and Grooming Appointments Questions	0 hours	24 hours	Various Locations in the US
Continue 15-Step Washing/Drying and Grooming a Variety of Breeds Final Exam General Review and Questions Review of Franchise rules/procedures and Manuals	8 hours	8 hours	Various Locations in the US

Due to the work schedule of the trainer, training may be conducted over twelve 8- hour days or ten 9.6-hour days.

For your first franchise agreement with us, training for up to two people is provided without charge. You will receive a \$1,000 travel voucher to attend training. All costs in excess of \$1,000 are payable by you.

There is no training requirement for franchise agreements other than your first one with us.

If we have room at a training session, you may send additional people to in-person training. Additional people may attend either the same or later in-person training sessions, subject to class availability. We reserve the right to charge up to \$150 per person per day for additional attendees.

Upon reasonable notice and at no charge to you, we may require you or your designated personnel to attend additional training courses, seminars, conferences or other programs that we consider relevant or appropriate to the successful operation of the System. You must pay all costs you and your employees incur while attending any additional training programs, including costs of travel, hotel and meals. We currently hold regional meetings, but do not require attendance. We have the right to make attendance mandatory.

At our option, we may hold a Convention of franchisees and other meetings to discuss topics which we determine to be appropriate and in the best interests of the System.

During the operation of your business, we will, upon your request and at your expense, and to the extent we have personnel available, send one or more members of our staff to the Franchised Business to provide additional follow-up assistance and training (Franchise Agreement § 7.7.)

## **ITEM 12. TERRITORY**

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

During the term of the franchise agreement, we will grant you a protected territory. We will not establish another franchised business in your Territory that sells mobile pet grooming services using our System and Marks. We will not compete with you in your Territory from outlets that we own or via the Internet using our System and Marks. Franchisees are prohibited from doing business in the contracted territory of other franchisees, including via other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, however, we cannot guarantee that another franchisee will not breach the franchise agreement and do business in your Territory. Your Territory will be described by United States Postal Service ZIP Codes in your franchise agreement. Each Territory will consist of a minimum 33,000 households. The ZIP codes making up your territory will not change even if their boundaries are expanded or contracted by the Postal Service or if the population within them decreases or increases.

We may, in the future, arrange referral programs, such as web site referral programs, under which you pay fees to referral sources in return for business in your Territory. We will give you information about these programs as they are developed and you may decide whether to opt out of them. If you do not expressly opt out of a referral program, you will be considered to have opted in.

You must promote, market, and engage in the Franchised Business diligently and effectively, develop to the best of your ability the potential of the Franchised Business within your Territory, and devote and focus attention and efforts to its promotion and development.

You may not use the Internet to solicit business except as described in Sections 6.8 (Use of Marks in Social Media) and 8.15 (Franchisor's Web Site) of the franchise agreement. You may not intentionally direct your advertising or marketing at customers in other franchisees' territories. You must obtain our prior written approval before selling mobile pet grooming services in unassigned Gray Area outside your assigned Territory. Generally, we will grant permission for you to operate in Gray Area.

If we give you permission to operate in Gray Area, we have the right to sell or assign them or any part of them at any time, without notice to you. You will not have a right of first refusal or option to buy a territory that was formerly designated as a Gray Area.

Although we will not grant anyone else the right to operate in your Territory, except as described in the joint marketing provisions contained in section 2.2(c) of the franchise agreement, we do not promise that another franchisee will not violate the franchise agreement and conduct business in your Territory.

You may increase your territory only by entering into a franchise agreement for an available additional territory for the fees described in Item 5 of this disclosure document. An



additional territory must generally be contiguous or close to your first territory. We will grant an additional territory to you only if you are not in default of your first franchise agreement.

We have the right to operate or establish businesses similar to your Franchised Business, using the same Marks you will use and providing service to customers anywhere outside your Territory, regardless of how close they are to your Territory.

We have the right to establish businesses similar to the Franchised Business that operate under a different trade name and marks within your Territory without compensating you. However, we do not have any current plans to do so. In addition, we and our affiliates may:

- (a) sell pet grooming services under different trademarks;
- (b) acquire or be acquired by a company that operates and/or franchises pet grooming services within your territory without using the System and the Marks;
- (c) acquire or be acquired by a manufacturer of products associated with pet grooming services;
- (d) sell pet grooming services through any other means that do not involve both the System and the Marks;
- (e) use the Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited by the franchise agreement; and
- (f) advertise and promote the System and the Marks at any location within or outside your Territory.


We may respond to customer complaints in your Territory, which we may resolve in our discretion.

You will not have any options or rights of first refusal or similar rights within your Territory or adjacent territories. You will not have the right to acquire additional AUSSIE PET MOBILE<sup>®</sup> franchises anywhere.

Under the franchise agreement, your territorial protection or limited exclusivity will not depend upon the volume of sales generated nor on your penetration of the potential market. Except as described in this Item, there are no circumstances under which we may modify your territorial rights during the term of the franchise agreement.

### **ITEM 13. TRADEMARKS**

You will have the right to operate your business under the Marks described below and to use other Marks we designate, under the AUSSIE PET MOBILE<sup>®</sup> System.

Mark	Registration No.	Registration Date
AUSSIE PET MOBILE	2466457	July 3, 2001 Renewed December 11, 2020
	2488561	September 11, 2001 Renewed December 12, 2020
KEEP 'EM CLEAN 'N CUTE	2771138	October 7, 2003 Renewed September 18, 2013

All trademark registrations have been filed on the Principal Register of the United States Patent and Trademark Office. All required affidavits have been filed.

You must follow our rules when you use our Marks. You cannot use all or any part of our name or Marks as all or part of your company's legal name. You may not use any modifying words, designs or symbols with our Marks. You may use the phrase "Aussie Pet Mobile \_\_\_\_\_" as a fictitious business name. You must obtain our approval for your fictitious business name. You may not use our Marks or name in connection with the sale of unauthorized product or service or in a manner we have not authorized in writing.

No agreements limit our rights to use or license the use of our Marks.

You must notify us immediately if you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate. We will defend you against any claim against you because of your authorized use of our Marks or any judgment resulting from a claim, suit or demand arising from your use of the Marks according to the terms of the franchise agreement except a claim by a prior user of the name "Aussie Pet Mobile". We control any administrative proceedings or litigation involving a trademark we license to you.

You must modify or discontinue the use of our Marks at your own expense if we modify or discontinue them. You may not directly or indirectly contest our right to our Marks.

We do not know of any prior rights or infringing uses in your Territory or of any material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, trademark administrator of this state, or any court, or any pending infringement, opposition, or cancellation proceeding, that could materially affect your use of our Marks. There is no pending litigation involving the Marks.

We cannot prevent anyone who began using the name "Aussie Pet Mobile" before our use

of it from continuing their use of that name in the area of prior use. The name "Aussie Pet Mobile" may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You acknowledge that you are responsible for finding out whether the name "Aussie Pet Mobile" is already being used in the Territory. As a material part of the consideration for our grant of a franchise to you, you agree that we are not liable to you for any prior use of the name "Aussie Pet Mobile" by anyone else.

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

Although we have not filed a copyright registration application for the Manual, we claim a copyright in its contents. The information contained in the Manual is proprietary. Except for your right to use the Manual and our marketing materials, you do not receive the right to use any item covered by a copyright.

You must promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses recovered by a third party because of claims of infringement or misappropriation of proprietary information, patents, or copyrights based on your authorized use of this information.

We do not own any rights in or licenses to any patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise.

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

We prefer franchisees who plan to participate actively in the direct operation and daily affairs of the Franchised Business. We do not want to grant franchises to people who are merely seeking a passive investment. If you do not operate the Franchised Business yourself, you must employ at least one manager on a full time basis. If you operate your franchise as a company, the manager does not have to have an equity interest in your company. You must disclose the identity of the manager to us and, should the identity of the manager change, you must notify us in writing. The manager must complete our initial training program, devote his or her entire time during normal business hours to the management, operation, and development of the Franchised Business, maintain confidentiality of the trade secrets described in Item 14 and conform to the covenants not to compete described in Item 17.

We require the franchisee to be a company or a corporation by the time business commences. Anyone who has direct or indirect control of the company or corporation or a direct or indirect beneficial interest in the company or corporation must sign the Personal Covenant and Guarantee attached to the franchise agreement as Schedule 1. If you are married, your spouse also must sign the Personal Covenant and Guarantee.

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

You may offer and sell in the Franchised Business only goods and services that we have authorized you to sell. We may add to, delete from or modify the services, products, equipment, programs and other items which you can and must offer or we may modify the System. You must

sell all goods and services authorized by us and abide by any additions, deletions and modifications. There are no limits on our rights to make these changes but the investment you must make in equipment, supplies and inventory because of these changes will not exceed \$5,000 per year per territory without your prior approval. These requirements are set forth in greater detail in Item 8 of this disclosure document.

Unless we approve otherwise in writing, you may only provide pet grooming services within your Territory. Unless we instruct otherwise, you may operate in unassigned territories known as Gray Area adjoining your Territory. Any operations in Gray Area are subject to sale of a territory that includes them or part of them to another franchisee, to initiation of "company-owned" operations in the Gray Area, and to our rules and regulations. Any advertising in Gray Area (including in telephone directories) may include only our toll-free telephone number, and not your local telephone number.

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

**This table lists certain important provisions of the franchise agreement and related agreements. You should read these provisions and the exhibits attached to this disclosure document.**

**THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	5.1	Initial term of 10 years.
b. Renewal or extension of the term	5.2	2 consecutive 5-year terms.
c. Requirements for you to renew or extend	5.2	Pay renewal fee and sign franchise agreement in our then- current form, not be in default, make necessary upgrades to the franchised business. The new franchise agreement may have materially different terms and conditions from our current franchise agreement.
d. Termination by you	None	You may terminate under any grounds permitted by law.
e. Termination by us without cause	None	Not applicable

Provision	Section in Franchise Agreement	Summary
f. Termination by us with cause	10.1	We can terminate (i) if you commit a material default, or (ii) if a condition occurs, the non-occurrence of which was presumed.
g. "Cause" defined – curable defaults	10.3	You have 7 days to cure service mark violations (must begin the cure within 24 hours after notice). You have 30 days to cure defaults not listed in Section 10.2.
h. "Cause" defined – non-curable defaults	10.2	Non-curable grounds for termination include: adjudication as a bankrupt, assignment for the benefit of creditors, admission of insolvency, abandonment of the franchised business, mutual agreement to terminate, material misrepresentation relating to the acquisition of the Franchised Business or engaging in conduct reflecting materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks, failure to comply with any federal, state or local law applicable to the Franchised Business within 10 days of notification of noncompliance, repeated breaches whether or not corrected after notice, repeated failure to comply with the franchise agreement, whether or not corrected after notice, seizure of Franchised Business, final judgement against Franchisee not satisfied within 30 days, conviction of felony or misdemeanor involving moral turpitude, failure to pay fees to Franchisor within 5 days after receiving written notice, continued operation of Franchised Business would result in imminent danger to public health and safety, any other franchise agreement between Franchisor and Franchisee is terminated.

Provision	Section in Franchise Agreement	Summary
i. Your obligations on termination/nonrenewal	12.3	Obligations include removal of AUSSIE PET MOBILE® marks and payment of amounts due us. You must assign all telephone numbers relating to the business to us. (See r. below). If you have not sold your Vans to another AUSSIE PET MOBILE® franchisee and we do not exercise our option to purchase your Vans, you must present the Vans to us for removal of the Hydrobaths. If the Hydrobaths are economically refurbishable, we will purchase them for fair market value.
j. Assignment of contract by us	9.1	We may assign the franchise agreement if we determine the transferee is financially capable of performing our obligations and if the transferee agrees to assume such obligations.
k. "Transfer" by you- definition	1.19, 9.2	Includes transfer of contract or assets or any ownership change.
l. Our approval of transfer by you	9.2(b)	We have the right to approve all transfers.
m. Conditions for our approval of transfer	9.2(b)	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, all money due and owing to us paid by you, and current agreement signed by new franchisee. (Also see r. below).
n. Our right of first refusal to acquire your business	9.3	We can match any offer for your Franchised Business.
o. Our option to purchase your business	12.2	We have the option to buy the AUSSIE PET MOBILE® Franchised Business, at fair market value after expiration, our termination or your termination without cause, of the agreement.
p. Your death or disability	9.6	Heir or successor must complete initial training within 30 days after the date of transfer.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	8.14	Subject to state law, you may have no involvement in competing business anywhere in U.S. or in any other country where we have applied to register our trademarks.
r. Non-competition covenants after the franchise is terminated or expires	8.14	Subject to state law, you may not engage in any competing business for 2 years within the former territory or within 25 miles of any other AUSSIE PET MOBILE® territory. You must totally de-identify when your franchise rights have ended.
s. Modification of the agreement	14.3	No modifications generally, but Manuals and specifications are subject to change.
t. Integration/merger clause	14.2	Only the terms of this franchise disclosure document, the franchise agreement and Manual are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	11.1 – 11.5	Except for certain claims, and subject to state law, all disputes must be arbitrated or mediated in Orange County, California.
v. Choice of forum	11.4, 11.6	Subject to applicable state law, claims for equitable or injunctive relief must be conducted in Orange County, California.
w. Choice of law	14.1	Federal law applies to arbitration and trademark issues. The law of your state applies to amendment of your franchise agreement, the maximum rate of interest that can be charged, and post-termination non-competition issues. Except as required by applicable law, California law applies to all other issues.

## **ITEM 18. PUBLIC FIGURES**

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

## **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a Franchisor to provide information about the actual or potential financial performance of its Franchised and/or Franchisor owned outlets, if there is a reasonable basis for the information and if the information is included in this disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: a Franchisor provides the actual records of an existing outlet you are considering buying; or 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.

The following is historical financial information concerning the reported annual sales of a subset of our existing outlets, namely those franchisees who were open for business for all of calendar year 2023 (58 franchisees representing an aggregate total of 352 Customized Vehicles).

### **A. Annual Sales Levels**

The following table shows annual gross sales reported by the 20 franchisees operating 1-3 vans, 21 franchisees operating 4-6 vans, 11 franchisees operating 7-10 vans and 6 franchisees operating more than 10 vans that were in business throughout calendar year 2023. These franchisees represent 100% of the franchisees who were open for all of calendar 2023. Excluded are six franchises that closed in 2023. All gross sales figures are presented without regard to the size of the territory. Although we currently grant territories that are at least 33,000 households, not all territories are that size. These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

These sales results are based upon sales reported to us by the franchisees.

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MEASURE	2023	EXPLANATION
Average Sales - 1-3 Vans - 4-6 Vans - 7-10 Vans - More than 10 Vans	\$285,553 \$722,424 \$1,284,270 \$1,849,449	Equals total sales by all franchisees divided by the number of franchisees. <sup>1</sup>
Median Sales - 1-3 Vans - 4-6 Vans - 7-10 Vans - More than 10 Vans	\$306,505 \$703,290 \$1,429,052 \$1,691,448	Shows mid-point of annual sales by franchisees. <sup>2</sup>
75 <sup>th</sup> Percentile - 1-3 Vans - 4-6 Vans - 7-10 Vans - More than 10 Vans	\$385,305 \$798,654 \$1,489,866 \$1,691,448	Reported sales by the 75 <sup>th</sup> percentile of franchisees; only 25% of franchisees reported sales higher than this level.
Average Sales of Middle 50% - 1-3 Vans - 4-6 Vans - 7-10 Vans - More than 10 Vans	\$303,786 \$703,600 \$1,379,612 \$1,691,448	Equals the mean (average) annual gross sales of those franchisees whose reported sales levels fell between the top 25% and the bottom 25%. <sup>3</sup>
25 <sup>th</sup> Percentile - 1-3 Vans - 4-6 Vans - 7-10 Vans - More than 10 Vans -	\$219,210 \$596,650 \$1,002,735 \$1,632,702 -	Reported sales by the 25 <sup>th</sup> percentile of franchisees; only 25% of franchisees reported sales lower than this level.

1. Of our franchisees reporting and in operation for all of 2023, 11 or 55% of franchisees with one to three vans had total annual sales that equaled or exceeded the mean sales figure stated. The lowest amount reported was \$46,515 and the highest was \$471,013. Of those franchisees with four to six vans, eight or 38% had total annual sales that equaled or exceeded the mean sales figure. The lowest amount reported was \$376,343 and the highest was \$1,064,838. Of those franchisees with seven to ten vans, seven or 70% had total annual sales that equaled or exceeded the mean sales figure. The lowest amount reported was \$587,865 and the highest was \$1,772,872. Of those franchisees with more than ten vans, two or 33% had total annual sales that equaled or exceeded the mean sales figure.

2. Of our franchisees reporting and in operation for all of 2023, ten or 50% of franchisees with one to three vans had total annual sales that equaled or exceeded the median sales figure stated. Of those franchisees with four to six vans, eleven or 52% had total annual sales that equaled or exceeded the mean sales figure. Of those franchisees with seven to ten vans, six or 55% had total annual sales that equaled or exceeded the mean sales figure. Of those franchisees with more than ten vans, three or 50% had total annual sales that equaled or exceeded the mean sales figure.
3. The calculation of this average disregards the franchisees that had sales lower than the 25<sup>th</sup> percentile or higher than the 75<sup>th</sup> percentile.

## B. Leads

For 2023, the following website and Meta leads were generated for our franchisees:

	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	
Website Leads*	15,931	15,879	16,419	16,526	17,812	17,898	
Meta Leads	771	763	715	684	678,677	677	
<b>Total</b>	<b>16,702</b>	<b>16,642</b>	<b>17,134</b>	<b>17,210</b>	<b>18,490</b>	<b>18,575</b>	
	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	Grand Total
Website Leads*	16,838	15,235	13,230	13,327	15,084	15,383	189,562
Meta Leads	673	630	669	793	777	858	8,688
<b>Total</b>	<b>17,511</b>	<b>15,865</b>	<b>13,899</b>	<b>14,120</b>	<b>15,861</b>	<b>16,241</b>	<b>198,250</b>

\*Website Leads includes leads from all website sources including Google PPC.

As of the date of this disclosure document, 33 of our franchisees run Google pay-per-click (“PPC”) advertising and 27 of our franchisees run Meta advertising. The lowest Google PPC spend is \$0 per month and the highest is \$3,640 per month. The lowest Meta advertising spend is \$0 per month and the highest is \$1,000 per month.

**Some franchisees have earned this amount. Your individual results may differ. There is no assurance you will earn as much.**

Written substantiation for this financial performance representation will be made available to the prospective franchise upon reasonable request.

Other than the preceding financial performance representation, Aussie Pet Mobile, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally in or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Paul Ebert, President,

Aussie Pet Mobile, Inc., 19000 MacArthur Blvd, Suite 100, Irvine, California 92612, (949) 234 0680, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
SYSTEMWIDE OUTLET SUMMARY FOR YEARS ENDING  
DECEMBER 31, 2021, 2022 AND 2023**

<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 (+ OR -)</b>
Franchised	2021	78	80	+2
	2022	80	74	-6
	2023	74	76	+2
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Total Outlets</b>	<b>2021</b>	<b>78</b>	<b>80</b>	<b>+2</b>
	<b>2022</b>	<b>80</b>	<b>74</b>	<b>-6</b>
	<b>2023</b>	<b>74</b>	<b>76</b>	<b>+2</b>

**TABLE NO. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS OTHER  
THAN TWO MAIDS & A MOP FOR YEARS ENDING  
DECEMBER 31, 2021, 2022 AND 2023**

<b>STATE</b>	<b>YEAR</b>	<b>NUMBER OF TRANSFERS*</b>
California	2021	0
	2022	0
	2023	1
Colorado	2021	0
	2022	0
	2023	1
Florida	2021	2
	2022	0
	2023	4
Idaho	2021	0
	2022	0
	2023	1
North Carolina	2021	0
	2022	0
	2023	0
Washington	2021	0
	2022	0
	2023	1
<b>Total Outlets</b>	<b>2021</b>	<b>2</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>8</b>

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS FOR YEARS ENDING**  
**DECEMBER 31, 2021, 2022 AND 2023**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
Alabama	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Arkansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Arizona	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
California	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	2	12
	2023	12	1	0	0	0	0	13
Colorado	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Connecticut	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
Florida	2021	5	2	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	1	0	0	0	0	8
Georgia	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Idaho	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1 <sup>1</sup>	0	0	0	0	1 <sup>1</sup>
Illinois	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	1	3
Indiana	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	2	2
Kentucky	2021	3	0	0	0	0	0	3
	2022	3	0	1	0	0	0	2
	2023	2	0	0	0	0	0	2
Maine	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Massachusetts	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	1	0

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
	2023	0	0	0	0	0	0	0
Minnesota	2021	0	1	0	0	0	0	1
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Missouri	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
New Mexico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
New York	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
North Carolina	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	1	0	0	0	0	3
Ohio	2021	3	1	1	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Oregon	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Rhode Island	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	13	3	0	0	0	0	16
	2022	16	1	0	0	0	0	17
	2023	17	1	0	0	0	0	18
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	0	0	0	0	0	2
Washington	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
<b>Total Outlets</b>	<b>2021</b>	<b>78</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80</b>
	<b>2022</b>	<b>80</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>74</b>
	<b>2023</b>	<b>74</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>76</b>

1. One outlet was previously recorded as opening in 2015 but opened in 2023.

**TABLE NO. 4  
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS ENDING DECEMBER  
31, 2021, 2022 AND 2023**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEES	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEES	OUTLETS AT END OF THE YEAR
Total Outlets	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**TABLE NO. 5  
PROJECTED OPENINGS AS OF DECEMBER 31, 2024**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	2	3	0
California	2	3	0
Florida	6	6	0
Montana	0	3	0
Nevada	0	3	0
New Jersey	4	0	0
New York	3	0	0
North Carolina	3	0	0
Oregon	0	3	0
Texas	0	3	0
Utah	0	3	0
Washington	0	3	0
<b>Total</b>	<b>20</b>	<b>36</b>	<b>0</b>

**NOTE:**

A list of current franchisees, addresses and telephone numbers is found in Exhibit C.

A list of former franchisees who voluntarily, involuntarily or who had an outlet terminated,

canceled or not renewed or who have not communicated with us within 10 weeks of the issuance date of this disclosure document and their telephone number if known, or last known home telephone number and city and state, is found in Exhibit D.

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

There are no trademark specific franchisee organizations associated with the franchise system which we created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this disclosure document.

**ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit B are (1) our unaudited, interim financial statements for the first three months of 2024 ended March 31, 2024, and (2) our audited financial statements as of and for the years ending December 31, 2023, 2022 and 2021.

**ITEM 22. CONTRACTS**

The following agreements are attached as exhibits to this disclosure document:

TITLE OF AGREEMENT	EXHIBIT/SCHEDULE	SIGNED BY
Franchise Agreement and State Specific Addendum	Exhibit A	You and us
Personal Covenant and Guarantee	Schedule 1 to Exhibit A	All people having direct or indirect “control”* over the Franchisee or a direct or indirect beneficial ownership interest in Franchisee, including any spouse of Franchisee.
Consent to Transfer and Assumption of Franchise Agreement (includes release of claims)	Exhibit G	You, new franchisee and us

Veterans Addendum to Franchise Agreement	Exhibit H	You (only if you are a veteran) and us
Secured Promissory Note	Exhibit I	You (Obligor)
General Security Agreement	Exhibit J	You (Pledgor) and us



TITLE OF AGREEMENT	EXHIBIT/SCHEDULE	SIGNED BY
Conditional Assignment of Franchisee's Telephone Numbers and Domain Name	Exhibit K	You
Electronic Funds Withdrawal Authorization	Exhibit L	You
Trainer Services Agreement	Exhibit M	You and us (only if you qualify and wish to offer basic groomer training to other franchisees' employees)
Addendum to Franchise Agreement – Second Territory	Exhibit N	You and us
Addendum to Franchise Agreement – Third Territory	Exhibit O	You and us
Van Support Agreement	Exhibit P	You and us

*\*“Control” means possession of the direct or indirect power to direct or cause the direction of your management and policies, whether through the ownership of voting securities, by contract, or otherwise.*

**ITEM 23. RECEIPT**

Attached, as the last page of this disclosure document, is a receipt. Please sign it, date it **as of the date you receive this disclosure document** and return it to us. A duplicate of the receipt is attached for your records.

## **STATE SPECIFIC ADDENDA**

## California

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

Neither the franchisor, nor any person identified in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 (Franchise Relations Act) provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Unless the transaction is exempt under the statute, Section 31125 of the California Corporations Code requires the franchisor to give the franchise a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement requires binding arbitration. The arbitration will occur in Orange County, California, with the costs being determined according to the rules of the American Arbitration Association.

The franchise agreement contains a liquidated damages clause. Under Civil Code Section 16711 certain liquidated damages clauses are unenforceable.

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

OUR WEBSITE, [WWW.AUSSIEPETMOBILE.COM](http://WWW.AUSSIEPETMOBILE.COM) AND OUR WEBSITE [HTTP://TWOAIDSFRENCHISE.COM/](http://TWOAIDSFRENCHISE.COM/), HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION

AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

In Item 6, the maximum interest allowed in California is 10% per annum. Item 6 is modified in California to comply with California law and charging a maximum of 10% per annum.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

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

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, Any provision of a franchise agreement, franchise disclosure document, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

California has a labor law known as California Assembly Bill 5 or “AB5” that governs when someone is classified as an employee or an independent contractor. Your franchise agreement states that you are an independent contractor, but AB5 may mean you are an employee instead. Being an employee may entitle you to minimum wage, sick and family leave, unemployment and workers’ compensation, expense reimbursements, protection from retaliation and discrimination, and other benefits given to employees. You should research and consult with an attorney regarding California’s labor laws.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Note: maximum price agreements are not per se violations of the Sherman Act.

## Hawaii

### **HAWAII DISCLAIMER**

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF**

**REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

Registered agent in Hawaii authorized to receive service of process:

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

- (1) Item 1 is amended to add the following:

The name and address of our agent in this state authorized to receive service of process is: the Commissioner of Securities of the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

- (2) Item 17, Summary column for (i) is amended to add the following:

Under Hawaii law, on termination or refusal to renew the franchise, you are entitled to be compensated for the fair market value, at the time of the termination or expiration of the franchise, of your inventory, supplies, equipment and furnishings purchased from us or a supplier we designated; except that personalized materials that have no value to us need not be compensated for. If we refuse to renew the franchise for the purpose of converting your business to one we own and operate, we, in addition to the remedies described above, will compensate you for the loss of goodwill. We may deduct from the compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings under this requirement, and may offset from the compensation any moneys you owe us.

- (3) Item 20 is amended to add the following:

Registrations are effective or proposed registrations will shortly be on file in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

Proposed registrations or filings for these franchises are or will be shortly on file in no other state.

No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises.

- (4) There are no states in which a proposed registration of these franchises has been withdrawn.
- (5) No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Illinois**

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute, Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 et seq.

The franchise agreement provides for termination upon bankruptcy. A provision in a franchise agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, U.S. Code § 101.

Item 17v (Choice of Forum) is amended to state "None for equitable/injunctive relief and California for arbitration/mediation proceedings" under the heading for "Summary."

The franchise agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Section in franchise agreement" and "not applicable" under the heading for "Summary."

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **Maryland**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Amendments to Item 17 of the disclosure document:

Item 17 is amended to state:

“Any general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 is amended to add:

“A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **Minnesota**

Minnesota law provides franchisees with certain rights regarding termination and nonrenewal of their franchises. As in effect in November 1990, Minn. Stat. Ann. Sec. 80.C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of a franchise agreement.

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Under Minn. Rule 2860.4400J, (1) a franchisee cannot waive any rights, (2) the franchisee cannot consent to the franchisor obtaining injunctive relief, although the franchisor may seek injunctive relief, and (3) a franchisee cannot be required to consent to waiver of a jury trial. In addition, a court will determine whether a bond is required.

Minn. Stat. §80C.21 and Minn. Rule 2860.440J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Under Minn. Rule 2860.4400D, we are prohibited from requiring you to sign a general release.

### **New York**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony



charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a 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; this proviso intends that the nonwaiver 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 a 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 the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure

Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

### **North Dakota**

In North Dakota, the disclosure document is amended as follows to conform to North Dakota law:

Item 17r is amended to add the following: “To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota.”

Item 17u is amended to omit any reference to the location of mediation or arbitration.

Item 17v is amended to state “None” under the heading for Section in Agreement and “Not Applicable” under the heading for “Summary”.

Item 17w is amended to replace “California” with “North Dakota”.

Section 11.4 of the franchise agreement provides that the franchisee must agree to the arbitration or mediation of disputes in California. Section 11.4 of the franchise agreement is amended to delete any reference to the location of mediation or arbitration.

Section 11.6 of the franchise agreement provides that the franchisee must consent to the jurisdiction of courts in California. Section 11.6 of the franchise agreement is amended to replace “California” with “North Dakota”.

Section 14.1 of the franchise agreement provides that the governing law of the franchise agreement is California. Section 14.1 of the franchise agreement is amended to replace “California” with “North Dakota”.

Section 11.6 of the franchise agreement includes a waiver of the right to a jury trial. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the disclosure document and franchise agreement.

Section 11.6 of the franchise agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchises and is deemed deleted in each place it appears in the disclosure document and franchise agreement.

Section 8.14 of the franchise agreement contains a post-term non-competition covenant. To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota.

### **Virginia**

Amendment to Item 17.h. of the disclosure document:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default of termination

stated in the franchise agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

### **Washington**

In lieu of an impound of franchise fees, the Franchisor will not require or accept payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100, 180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in

the franchise agreement or elsewhere are void and unenforceable in Washington.

The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**EXHIBIT A**

**FRANCHISE AGREEMENT, STATE ADENDUM AND SCHEDULES**



**AUSSIE PET MOBILE, INC.  
FRANCHISE AGREEMENT**

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STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT

SCHEDULES TO FRANCHISE AGREEMENT:

1. Personal Covenant and Guarantee
2. Description of Territory
3. Schedule of Names and Addresses of Owners and Principal Officers
4. Designated Equipment

## FRANCHISE AGREEMENT

This Franchise Agreement (“**Agreement**”) is entered into as of \_\_\_\_\_ (“**Effective Date**”), between Aussie Pet Mobile, Inc., a California corporation (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ proposing to do business in the state of \_\_\_\_\_ as AUSSIE PET MOBILE® of \_\_\_\_\_ (“**Franchisee**”). Franchisee will begin operation under this Agreement on \_\_\_\_\_ (“**Operating Date**”).

### **RECITALS**

(a) Franchisor is engaged in the administration and development of programs for the operation of AUSSIE PET MOBILE® franchised businesses that offer and sell pet grooming services.

(b) AUSSIE PET MOBILE® franchised businesses are established and operated using the System and Marks, as well as other proprietary information owned by, and identified with, Franchisor. Franchisor is the owner of the Marks, the System, and all rights in respect of each of them. Franchisor's activities in general, and its franchise program in particular, are undertaken to develop, maintain, and enhance the Marks and Franchisor's overall reputation in retail sales and related services relating to pet grooming services.

(c) Franchisee wishes to be franchised by Franchisor to use the System, the Marks, and the goodwill of Franchisor to conduct an AUSSIE PET MOBILE® franchised business. Franchisor is willing to grant to Franchisee a franchise for the System and the Marks, in accordance with the provisions of this Agreement and the Manuals, as amended from time to time, on the terms and conditions set forth below.

(d) Franchisee acknowledges that, in the administration of this Agreement and in taking actions with respect to its relationship with Franchisee, Franchisor must take into account the needs of all people operating under the Marks, the effect upon those people as a whole, and the need to protect the Marks for the benefit of those people and Franchisor.

### **1. DEFINITIONS**

#### **1.1 Affiliate**

An "Affiliate" of Franchisor or Franchisee, as the case may be, means all people in the following categories when they are conducting business activities related to Franchisor or Franchisee: (a) all people who Control, are Controlled by, or are under common Control with, Franchisor or Franchisee; (b) all direct or indirect shareholders, partners, members, or owners of Franchisor or Franchisee, regardless of whether they Control Franchisor or Franchisee; and (c) all officers, directors, employees, and agents of Franchisor or Franchisee and of Franchisor's or Franchisee's other Affiliates.

## **1.2 Approved Products and Services**

The term "Approved Products and Services" means products and services related to pet grooming services as approved by Franchisor from time to time.

## **1.3 Company-Owned Operation**

The term "Company-Owned Operation" or "COO" means a business or businesses similar to some or all aspects of the Franchised Business owned and operated by Franchisor or its Affiliate for its own account.

## **1.4 Control**

The term "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract, or otherwise.

## **1.5 CRM System**

The term "CRM System" means Franchisor's proprietary integrated business management system, also known as the Aussie Customer Management System, which provides certain routing, dispatching, marketing and customer management tools.

## **1.6 Customized Vehicle**

The term "Customized Vehicle" means a special order or pre-owned Sprinter Van, or such other vehicle as Franchisor shall designate in writing from time to time, customized with fixtures that include Franchisor's unique, proprietary trade dress features and designs and the Designated Equipment, all as Franchisor may modify and update from time to time.

## **1.7 Designated Equipment**

The term "Designated Equipment" means the equipment designated by Franchisor that must be obtained and used in the operation of each Customized Vehicle used in the Franchised Business as set forth in Schedule 6 to this Agreement.

## **1.8 Franchised Business**

The term "Franchised Business" means maintaining and operating a retail operation for the sale of Approved Products and Services to customers located in the Protected Territory, in accordance with the System and using the goodwill associated with the Marks, all upon the terms and conditions stated in this Agreement. For purposes of this Agreement, a customer is located in the Protected Territory if the location where the Franchised Business's services will be performed is located in the Protected Territory.

## **1.9 Gray Area**

The term “Gray Area” means an area adjoining the Protected Territory that is not part of any other franchisee's protected territory, nor an area served by a Company-Owned Operation.

## **1.10 Gross Revenue**

The term “Gross Revenue” means the aggregate of all revenues, sales and other income and things of value including trade or barter agreements from whatever source derived, including Gray Area, arising out of, in connection with or relating to the Franchised Business including, without limitation, (a) income from any goods or services provided; and (b) all proceeds from any business interruption insurance, but excluding (i) all refunds and discounts made in good faith to a customer; (ii) any sales, use, retail sales and equivalent taxes which are collected by Franchisee for or on behalf of any governmental or other public body and actually remitted to such body; and (iii) the value of any coupon, voucher or other allowance authorized by Franchisor and issued or granted to customers of the Franchised Business which is received or credited by Franchisee in full or partial satisfaction of the price of any service offered in connection with the Franchised Business. Franchisor reserves the right to institute policies in the Manuals or otherwise in writing and from time to time, regarding the inclusion in Gross Revenue of any pre-paid services (including, without limitation, gift cards and gift certificates) and delivery and redemption thereof.

## **1.11 Hydrobath**

The term “Hydrobath” means Franchisor’s proprietary heated hydrobath and bathing system.

## **1.12 Manager**

The term "Manager" means the employee or agent of Franchisee who has been designated by Franchisee as the person who, along with one of Franchisee’s principal owners, is responsible for the day-to-day operation of the Franchised Business and who has successfully completed initial training.

## **1.13 Manuals**

The term “Manuals” means the confidential operations manual and one or more other manuals containing System standards, policies and procedures prescribed from time to time relating to the operation of the Franchised Business and other information relating to Franchisee’s other obligations under this Agreement and related agreements.

## **1.14 Marks**

The term "Marks" means "AUSSIE PET MOBILE<sup>®</sup>" and all other proprietary marks registered or pending with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logotypes, insignias, designs, and other commercial symbols which Franchisor uses and authorizes others to use to identify the

Franchised Business.

### **1.15 Materials**

The term “Materials” means all forms, contracts, agreements, signs, displays, stationery, and other items permitted or required by Franchisor to be used in the operation of the Franchised Business.

### **1.16 Protected Territory**

The term "Protected Territory" means the geographic area described in Schedule 2.

### **1.17 Sprinter Van**

The term “Sprinter Van” means, as of the date of this Agreement, a Mercedes Benz Sprinter 2500 Van including the following features: 144” wheelbase; high roof; 4 or 6 cylinder turbo diesel engine; 7 speed; G-Tronic automatic transmission; custom roof-mounted 110V salon air-conditioning system; heated driver’s seat; 220 amp alternator; parabolic heated and folding side mirrors with blind spot assistance; two-way 12 volt ceiling fan system; insulated and finished ceiling; floor and wall partition panels; advanced Mercedes Benz connectivity; multi-function steering wheel controls; keyless start and entry; backup camera; and window in the cargo door . Van options may vary based on availability.

### **1.18 System**

The term "System" means Franchisor’s proprietary operating system, the distinguishing characteristics of which include: (i) Franchisor’s proprietary standards and specifications for certain products and services used in connection with providing Franchisor’s Approved Products and Services to customers; (ii) certain proprietary products developed by Franchisor; (iii) Franchisor’s standards and specifications for sales techniques, marketing and advertising programs; (iv) the CRM System; (v) proprietary initial and ongoing training programs; and (vi) standards and specifications for operating the Franchised Business in the manner set forth in this Agreement and the Manuals.

### **1.19 Transfer**

The term "Transfer" means any direct or indirect sale, assignment, transfer, conveyance, delegation of duties, gift, declaration of trust, pledge, mortgage, hypothecation, or other encumbrance, voluntarily or involuntarily, by operation of law or otherwise, whether as a single transaction or as part of a series of transactions, of any interest in a person, this Agreement, or all or substantially all of the assets of a person.

### **1.20 VSP**

The term "VSP" means the AUSSIE PET MOBILE® Van Support Program which includes a specialized upfitter for the Designated Equipment, a warranty management and support online system for Franchisee’s Customized Vehicle(s) and dedicated associates to assist franchisees with configuration and troubleshooting of Franchisee’s Customized Vehicle(s).

## 2. THE FRANCHISED BUSINESS

### 2.1 Grant of Franchise

Franchisor grants to Franchisee, and Franchisee accepts, a franchise (“Franchise”) to participate in and use the System by conducting the Franchised Business solely within the Protected Territory in strict accordance with this Agreement and the Manuals, from the Operating Date until the end of the Term, unless sooner terminated. **Nothing contained in this Agreement may be interpreted as a guarantee of success.** Franchisee retains the right to conduct businesses and perform services other than the Franchised Business, but subject to the restrictions on engaging in competitive activities under Section 8.14, and subject to all other applicable provisions of this Agreement and the Manuals. Franchisee may not use the Marks, all or any part of the System, or any of Franchisor's other proprietary information in connection with any other businesses or services without the express prior written permission of the President or other executive officer of Franchisor, which permission, if granted, will bring the other businesses or services within the scope of the Franchised Business.

### 2.2 Protected Territory

(a) Except as provided in paragraphs (b) and (c) of this Section, during the Term, Franchisor will not establish or operate within the Protected Territory, or license any third party to establish or operate within the Protected Territory, any other business that sells pet grooming services using the System and the Marks.

(b) Franchisee acknowledges that, from time to time, opportunities may arise to participate in joint marketing efforts with other AUSSIE PET MOBILE® franchisees. If Franchisee is afforded the opportunity to participate in joint marketing efforts but declines to do so, the participating AUSSIE PET MOBILE® franchisee must offer any leads for the Protected Territory generated as a result of the joint marketing effort to Franchisee on reasonable terms and conditions (including maximum lead fees per referral) specified from time to time in the Manuals. If the participating franchisee complies with Franchisor's guidelines on the offering terms for the leads and Franchisee declines to accept the lead on the terms offered, then the participating franchisee will not be required to turn over the lead to Franchisee and the participating franchisee may instead work the lead in the Protected Territory without compensation to Franchisee.

(c) Franchisee agrees that if, as a result of Franchisee's default of this Agreement and as an alternative to termination, Franchisor withholds customer leads generated on Franchisee's behalf by Franchisor as described in Section 10.6 of this Agreement, Franchisor may provide or grant other franchisees the right to provide sales, installations or other services with respect to those customer leads in the Protected Territory until Franchisee cures the breach.

Except to the limited extent expressly provided in paragraph (a) of this Section the rights granted to Franchisee under this Agreement are non-exclusive and Franchisor expressly reserves all other rights, including the exclusive, unrestricted rights, directly and



indirectly, itself and through its employees, representatives, franchisees, licensees, assigns, agents, and others: (i) to own and operate, and to franchise others to own and operate, businesses using the System and the Marks at any location outside the Protected Territory, (ii) to acquire or be acquired by a company that operates and/or licenses similar businesses within the Protected Territory without using the System and the Marks, (iii) to acquire or be acquired by a manufacturer of products associated with pet grooming services, (iv) to sell pet grooming services through any other means that do not involve both the System and the Marks (including within the Protected Territory), (v) to advertise and promote the System and the Marks at any location within or outside the Protected Territory and (vi) use the Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in this Agreement.

### **2.3 Alternate Channels of Distribution**

Franchisee acknowledges and agrees that certain of Franchisor's or its Affiliates' products and services, whether now existing or developed in the future, may be distributed in Franchisee's Protected Territory by Franchisor, Franchisor's Affiliates, or other third parties that Franchisor designates, in such manner and through such channels of distribution as Franchisor, in its sole discretion, shall determine. Such alternate channels of distribution will include, but are not limited to, the sale and distribution of the products and services via the Internet and through joint marketing with partner companies under terms and conditions that Franchisor deems appropriate. Franchisee understands that this Agreement grants Franchisee no rights: (i) to distribute the products and services as described in this Section 2.3 ; or (ii) to share in any of the proceeds received by any such party therefrom.

### **2.4 Reserved Rights**

Nothing contained in this Agreement will accord Franchisee any right, title or interest in or to the Marks, System, operational techniques, service concepts, proprietary information, or goodwill of Franchisor, except only those rights granted by this Agreement.

### **2.5 Area and Scope of Operation**

Franchisee will only conduct its Franchised Business within the Protected Territory.

Except as to Gray Area, Franchisee may provide sales and services only with respect to locations within the Protected Territory. Franchisee must (i) diligently and effectively promote, market, and engage in the Franchised Business within the Protected Territory, (ii) develop, to the best of its ability, the potential for the Franchised Business from within the Protected Territory, (iii) operate the Franchised Business so as to maximize the total Gross Revenue of the Franchised Business, and (iv) devote and focus its full-time attention and efforts to that promotion and development.

Unless otherwise instructed by Franchisor, Franchisee may operate in Gray Area. Any operations in Gray Area are subject to sale of the territory to another franchisee, to initiation of a Company-Owned Operation in the Gray Area, and to Franchisor's rules and regulations.

Franchisee does not receive any right of first refusal or other rights of any type to a Gray Area by virtue of operations in that Gray Area. Franchisor may sell any Gray Area territory at any time, without advance notice to Franchisee. Upon notice from Franchisor, Franchisee will immediately cease all marketing activities in any Gray Area. Franchisor may give a notice to cease marketing without regard to whether the Gray Area has been sold to another franchisee. After Franchisor gives notice to cease marketing, Franchisee may (for a maximum of 30 days) complete jobs for which bookings were placed before Franchisor gave Franchisee notice to cease marketing in the area. Any jobs which cannot be completed within 30 days must be assigned to the franchisee purchasing the former Gray Area.

Franchisee's Initials: \_\_\_\_\_

### **3. LOCATION OF BUSINESS**

#### **3.1 Principal Place of Business**

Franchisee's principal place of business is at the following location:

#### **3.2 Office**

The franchise granted by this Agreement contemplates that Franchisee will operate a business that is primarily mobile. Franchisee may, without further approval from Franchisor, use an office, provided that the office is located within the Protected Territory.

### **4. PAYMENTS BY FRANCHISEE**

#### **4.1 Franchise Fee**

If Franchisee is not a party to another franchise agreement with Franchisor, Franchisee will pay to Franchisor an Initial Franchise Fee of \$19,950. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America and is fully earned upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable.

#### **4.2 Territory Fee**

If Franchisee is purchasing the Protected Territory from Franchisor (rather than an existing franchisee) Franchisee will also pay Franchisor a Territory Fee of \$40,000. The Territory Fee is payable in a lump sum in lawful money of the United States of America and is fully earned upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.

#### **4.3 Designated Equipment Package Fee**

Franchisee will pay a Designated Equipment Package Fee of \$70,000 - \$80,000 for the Designated Equipment Package. The Designated Equipment Package Fee is payable in a lump sum in lawful money of the United States of America and is fully earned upon purchase of the Customized Vehicle. The Designated Equipment Package Fee is not refundable.

#### 4.4 Van Support Fee

For a term of seven (7) years commencing on the Operating Date, Franchisee will pay to Franchisor a Van Support Fee of \$225 per month for participation in the VSP. The Van Support Fee is not refundable.. Franchisee and Franchisor shall enter into a Van Support Program Agreement for each Customized Vehicle purchased by Franchisee.

#### 4.5 Continuing Royalty

(a) Commencing on the Operating Date and throughout the Term of this Agreement, Franchisee will pay a Continuing Royalty calculated each month in arrears equal to the greater of: (a) the percentage of Gross Revenue during the immediately preceding calendar month as calculated below; or (b) a minimum monthly Continuing Royalty of \$750 for the first year of the Term and \$1,500 thereafter:

Monthly Royalty	Monthly Gross Revenue
7.0%	\$0 - \$30,000
6.0%	\$30,000.01 - \$60,000
5.0%	\$60,000.01 - \$90,000
4.0%	\$90,000.01 and above

Franchisee will pay a blended rate of Continuing Royalty. For example, if Franchisee's Gross Revenue for the prior month is \$75,000, Franchisee will pay 7% for the first \$30,000, 6% for the next \$30,000 and 5% for the last \$15,000. Gross Revenue for work performed in Gray Area is to be included.

If Franchisee has more than one franchise agreement with Franchisor containing this Continuing Royalty provision, the Gross Revenue for each franchised business thereunder is averaged for purposes of this calculation. For example, if Franchisee has two franchise agreements, the Gross Revenue for both franchised businesses is added together and divided by two to arrive at the average Gross Revenue for each franchised business for purposes of calculating the Continuing Royalty payable under each franchise agreement.

If Franchisee renews this Agreement, the amount of the Continuing Royalty throughout the renewal term will be the Continuing Royalty provided for in the then-current form of Franchise Agreement being issued by Franchisor.

(b) Payments of Continuing Royalty are not refundable.

#### 4.6 National Advertising Fund

(a) Throughout the Term of this Agreement, Franchisee will pay Franchisor a National Advertising Fee equal to the greater of one percent (2%) of Franchisee's monthly Gross Revenue for the previous month or \$500. Monthly National Advertising Fund payments are paid in arrears. Gross Revenue for work performed in Gray Area is to be included.

(b) Payments of National Advertising Fee are not refundable.

(c) Franchisor may in the future establish the AUSSIE PET MOBILE® National Support Services Network, under which qualified representatives will be able to respond to inquiries from customers of AUSSIE PET MOBILE® franchisees. The costs for these services may be reimbursed partially or wholly from the National Advertising Fund ("Fund").

(d) On a national or regional basis, Franchisor may impose an additional assessment upon some or all of its franchisees for special designated advertising or promotional activities, if 2/3 of all affected AUSSIE PET MOBILE® franchisees agree to that assessment in writing.

(e) The National Advertising Fees will be contributed to the Fund for such national, regional, local and other advertising and public relations programs and initiatives as Franchisor, in its sole discretion, may deem necessary or appropriate for the promotion or protection of the System. The Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to Franchisee, or to any franchisees, with respect to the Fund. Franchisor has the absolute right to direct the creative concepts, materials, endorsements and media used in the advertising and public relations programs, as well as the placement and allocation of the programs.

(f) The Fund will be used and expended for website development and maintenance, public relations, media costs, commissions, digital marketing, market research costs, creative costs and production costs including, without limitation, the costs of creating promotions and artwork, printing costs and other costs relating to advertising, promotional and public relations programs and initiatives undertaken by Franchisor. Franchisor reserves the right to place and develop such advertisements and promotions and to market on behalf of the System, either directly or through advertising agencies retained or formed for such purpose.

(g) The Fund will be accounted for separately from the other funds of Franchisor. The Fund may not be used to defray any of Franchisor's general operating expenses, except for any reasonable salaries that Franchisor may incur in activities reasonably related to the Fund's advertising and promotional programs (including, without limitation, conducting market research, managing programs supported by the Fund, and retaining outside agencies), and an administrative fee of 16% of the annual aggregate National Advertising Fees received by Franchisor. Any sums remaining in the Fund at the end of a fiscal year must carry over in the Fund to the next fiscal year.

(h) Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of businesses for the benefit of the System as a whole, and that Franchisor undertakes no obligation in administering the Fund to ensure that any particular Franchisee benefits directly or pro-rata from the placement or conduct of such advertising and promotion.

(i) The Fund may not be used for any initiative intended solely to market the sale of franchises. Franchisee acknowledges and agrees, however, that certain activities supported by the Fund, including, without limitation, maintenance of the website, public relations activities, and community involvement activities, may include information about franchising opportunities.

(j) No interest on unexpended National Advertising Fees will be imputed for the benefit of or payable to Franchisee and no interest on Franchisor expenditures in excess of National Advertising Fees collected will be imputed for the benefit of, or payable to, Franchisor.

(k) Franchisor will determine the cost, form of media, content, format, production, timing, location (including regional or local concentration and seasonal exposure) and all other matters relating to advertising, public relations, and promotional campaigns.

(l) On or before March 31 of each year, if requested in writing by Franchisee, Franchisor will deliver to Franchisee a summary statement of receipts and expenditures of the Fund relating to the preceding calendar year, certified to be correct by an officer of Franchisor.

#### **4.7 Technology Fee**

Throughout the Term of this Agreement, Franchisee will pay Franchisor, in advance, a monthly Technology Fee in the amount specified in the Manuals. The Technology Fee is applied towards the cost of developing, operating, upgrading and supporting Franchisor's technology platforms including the CRM System or its successor, the VSP or its successor, required computer hardware and software, hosting services and solutions, and any other technology used in the operation of the Franchised Business. Because changes to technology are dynamic and not predictable within the Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, the Technology Fee is subject to change from time to time. Payments of Technology Fee are not refundable.

#### **4.8 Convention Fee**

Franchisor will hold a convention of franchisees on an annual basis or at such other interval as Franchisor may from time to time determine ("Convention"). Franchisee will pay Franchisor a Convention registration fee for one individual ("Convention Fee") to attend Convention. The amount of the Convention Fee will vary each year depending on the location and venue where the Convention will be conducted. The Convention Fee is payable in advance and will be charged monthly. The Convention Fee does not cover the costs

associated with travel, lodging or other miscellaneous expenses associated with the Convention. Convention Fees for additional persons attending conference will be collected at time of registration.

#### **4.9 Means and Time of Payment**

Franchisee must authorize Franchisor to withdraw Continuing Royalty fees, National Advertising Fees, Local Advertising Services Fees, Technology Fees and all other fees due under this Agreement directly from Franchisee's bank account. Funds to cover fees must be available for withdrawal from Franchisee's bank account from the first day of each month in which payment is due. Franchisee must immediately make arrangements with its bank to authorize these withdrawals. Franchisee must sign any document required by Franchisor to enable its payment to Franchisor of Continuing Royalties, National Advertising Fees, Technology Fees and any other ongoing fees by electronic funds transfer, pre-arranged draft, sweep of its bank account or any other method of funds transfer, at Franchisor's option.

#### **4.10 Late or Insufficient Funds Fee**

Late or dishonored payments or payments not paid in full due to insufficient funds will be subject to a late or insufficient funds fee in the amount specified in the Manual or the legal maximum permitted amount, whichever is the lesser.

#### **4.11 No Accord or Satisfaction**

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due under this Agreement, the payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No statement on any payment or in any letter accompanying any payment or elsewhere will constitute or be construed as an accord or satisfaction.

#### **4.12 Fees for Optional Referrals**

Unless Franchisee has advised Franchisor in writing of its election not to participate in a particular referral program, Franchisee must pay the referral fees required by the program for any customer referrals Franchisee receives from the program. All referral fees payable as a result of Franchisee's participation in a particular referral program managed by Franchisor are payable to Franchisor at the times specified for the program, but no more frequently than monthly.

#### **4.13 Consumer Price Index**

Each fixed amount payable under this Agreement may be increased on April 1 annually by the increase, if any, in the Consumer Price Index for All Urban Consumers for the prior year ended December 31.

## 5. TERM

### 5.1 Initial Term

The initial term of this Agreement (“Term”) is ten (10) years from the Operating Date, unless sooner terminated under the provisions of this Agreement.

In the event this Agreement is executed in connection with a renewal of an existing franchise agreement or with the grant of a second additional term, Section 5.2 below is deemed deleted and is of no force or effect.

### 5.2 Additional Term

(a) Subject to the terms and conditions contained in this Section 5.2, Franchisee may extend its franchise relationship for two additional five-year terms, upon the following conditions:

- (i) Franchisor will notify Franchisee of the expiration date of the Term of this Agreement and will transmit to Franchisee a copy of its then current franchise agreement and franchise disclosure document approximately 180 days before the expiration of the Term.
- (ii) After receipt by Franchisee of the then current franchise agreement complete in all material respects, but not later than 30 business days after receipt by Franchisee of the notice, franchise agreement and disclosure document, Franchisee will sign and return the then current franchise agreement. Upon receipt, Franchisor will sign one copy and return it to Franchisee. The new agreement will become effective concurrently upon expiration of the Term of this Agreement. If Franchisee fails or refuses to sign and return to Franchisor the new franchise agreement within the time frame stated in this Section, all of Franchisee's rights and options to enter into an additional franchise agreement will expire.
- (iii) Franchisee will pay a \$5,000 renewal fee at the time the new franchise agreement is signed by Franchisee.
- (iv) On the Operating Date of the new franchise agreement, Franchisee and its Affiliates may not be in default under this or any other agreement with Franchisor and its Affiliates, and Franchisee must have materially performed all of its obligations under this Agreement over the life of this Agreement.
- (v) By the expiration date of the then-current Term, Franchisee must have brought the Franchised Business and operations into full compliance with the specifications and standards then applicable for new Franchised Businesses which may include, without limitation, refurbishing the Customized Vehicle(s) and the Designated

Equipment, new equipment, décor package, signage, compliance with all then-current standards for design, software, provision of goods and services, methods of operation and other requirements of the System plus such modernization of the Franchised Business as Franchisor may reasonably require to reflect the then-current standards and image of the System, all at Franchisee's sole cost and expense.

(b) If Franchisor ceases granting franchises in the state in which the Franchised Business is operating, Franchisor will notify Franchisee at least 180 days before the expiration of the Term of that cessation, whereupon Franchisee's right to enter into a new franchise agreement will be terminated in its entirety at the end of the Term.

(c) If Franchisor determines not to grant an additional franchise agreement by reason of a default by Franchisee which is incurable or has not been cured by Franchisee within the applicable time period or failure of Franchisee to fully perform its obligations under this Agreement, Franchisor will give Franchisee notice of its intention not to grant an additional term (i) within the minimum time required by the jurisdictional authorities, or (ii) in the absence of a specific period, within 30 days after Franchisee gives its notice of its wish to enter into a new franchise agreement but not less than 90 days before the termination date of this Agreement.

(d) After the signing by Franchisee of a subsequent franchise agreement, and before the effective date of the new franchise agreement, Franchisee will bring its Franchised Business into full compliance with the standards then applicable to new AUSSIE PET MOBILE® franchisees.

### **5.3 Notice of Expiration Required by Law**

If applicable law requires that Franchisor give a longer period of notice to Franchisee than provided in this Agreement prior to the expiration of the Term, Franchisor will give the additional required notice. If Franchisor does not give the required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received the required additional notice.

## **6. INTELLECTUAL PROPERTY**

### **6.1 Marks**

(a) Franchisor grants to Franchisee the right during the Term to use and display the Marks in accordance with the provisions contained in this Agreement and in the Manuals, solely in the operation of the Franchised Business. Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services used by Franchisee in which the Marks are used. Franchisee agrees to be responsible for and to supervise all of its employees and agents to insure the proper use of the Marks in compliance with this Agreement. Franchisee will use the Marks solely in the Franchised Business and may not use or display the Marks in the operation of any business, the performance of any other service, or the conduct of any other activity outside the scope of



the Franchised Business. Franchisee agrees that all of Franchisee's use of the Marks under this Agreement inures to the benefit of Franchisor. Nothing in this Agreement will give Franchisee any right, title, or interest in or to any of the Marks, except a mere privilege and license during the Term to display and use the Marks strictly according to the limitations provided in this Agreement and the Manuals. Franchisee agrees that all art work, graphics, layouts, slogans, names, titles, text, or similar Materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, its employees, agents and subcontractors and any other party with whom Franchisee contracts to have the Materials produced will become the sole property of Franchisor, including copyright and trademark rights, and Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors, and any other party with whom it may contract to have the Materials produced, to promptly sign any and all appropriate documents in this regard. Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee will consent in writing to the cancellation and will join in any cancellation petition. The expense of any of the foregoing recording activities will be borne by Franchisor.

(b) Franchisor has advised Franchisee that the name "AUSSIE PET MOBILE®" may have been used by other people in the conduct of pet grooming businesses prior to Franchisor's registration of its Mark and that those prior users may have the legal right to continue to use the name "AUSSIE PET MOBILE®" in the geographical area in which they have used it. Franchisor has further advised Franchisee that the mechanisms for determining whether a particular trade name is being used by another person (i) vary substantially from locale to locale and Franchisor cannot assure Franchisee that the name "AUSSIE PET MOBILE®" is not currently being used in the Protected Territory; (ii) may require a search of local trademark and Mark registration records, fictitious business name filings, or both, or some other records maintained by city, county, or state agencies or entities; and (iii) may be imperfect and fail to reveal some protected uses. Franchisee understands that, before signing this Agreement and accepting the Protected Territory, Franchisee should have obtained advice from local counsel regarding the appropriate search and protection mechanisms and have conducted an appropriate search and investigation in the Protected Territory to determine whether there is any prior user of the name "AUSSIE PET MOBILE®".

(c) The name "AUSSIE PET MOBILE®" may be in use by other businesses in the United States who are not Franchisor's franchisees or in any way affiliated with Franchisor. Franchisee acknowledges that Franchisee is responsible for finding out whether the name "AUSSIE PET MOBILE®" is already being used in the Protected Territory. As a material part of the consideration for Franchisor's grant of a franchise to Franchisee, Franchisee waives any claim that Franchisor is liable to Franchisee for damages or losses resulting from any prior use of the name "AUSSIE PET MOBILE®" by anyone else. Nothing in the preceding sentence, however, will be considered to limit a party's respective obligations under Section 6.6 below.

## **6.2 Acts in Derogation of the Franchisor's Rights**

(a) Franchisee agrees that the Marks are the exclusive property of Franchisor. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership by virtue of Franchisee's licensed use of the Marks or otherwise. Ownership and title of the Marks and Franchisor's manuals, bulletins, instruction sheets, forms, methods of operation, and goodwill are and will remain vested solely in Franchisor, and Franchisee's right of use is only co-extensive with the Term of this Agreement. Franchisee acknowledges that the materials and information now and from now on provided and/or revealed to Franchisee under this Agreement (including the contents of the Manuals) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee will keep and respect the confidences so reposed, both during and after the Term of this Agreement. Franchisor expressly reserves all rights with respect to the Marks, confidential trade secrets, methods of operation, and other proprietary information, except as expressly granted to Franchisee in this Agreement or in the Manuals. Franchisor will disclose its trade secrets to Franchisee by providing access to Franchisee for the Term of this Agreement the Manuals and other written materials containing the trade secrets, through training and assistance provided to Franchisee, and by and through the performance of Franchisor's other obligations under this Agreement. Franchisee acknowledges that Franchisor is the sole owner of all proprietary information and trade secrets, that the information is being imparted to Franchisee only by reason of its special status as a franchisee of the System, and that the trade secrets are not generally known to the pet grooming industry or public at large and are not known to Franchisee except by reason of the disclosure. Franchisee further acknowledges that it will acquire no interest in the trade secrets, other than the right to use them in the development and operation of the Franchised Business during the Term of this Agreement. In addition, Franchisee acknowledges that the use or duplication of the trade secrets except as expressly permitted by this Agreement will constitute an unfair method of competition and that Franchisor will suffer irreparable injury by it. Franchisee agrees that it will not do or permit any act of or in derogation of any of the rights of Franchisor in the Marks, either during or after the Term of this Agreement, and that Franchisee will use the Marks only for the uses and in the manner licensed under and as provided in this Agreement. Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that impairs the goodwill associated with the Marks.

(b) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs, and other display materials, on its letterheads, business forms, and at all authorized business sites, in all of its business dealings related to them and to the general public, it will identify the Franchised Business under a fictitious business name, approved by Franchisor, together with the words "AN INDEPENDENTLY OWNED AND OPERATED FRANCHISE" or any other similar designation that is prescribed by Franchisor, all in the form, size, and style as prescribed in the Manuals. In its sole discretion, Franchisor retains the right to deny the use of certain words or phrases in the fictitious business name. Franchisee will file and keep current a "Fictitious Business Name Statement" (or similar document) with respect to its fictitious business name in the county or other designated region in which Franchisee is conducting business and at any other places as may be required by law. Prior to beginning business under the Marks, Franchisee will supply evidence satisfactory to Franchisor that Franchisee

has complied with relevant laws regarding the use of fictitious business names. Franchisor must approve in advance the total appearance of the fictitious business name (and other identifying words). Franchisee further agrees that it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, joint venturer, agent, or employee of Franchisor or other owner of the Marks or (iii) any of Franchisor's other franchisees. If Franchisee is a corporation, Franchisee will not use in its corporate name either the Marks or any words confusingly similar thereto.

### **6.3 Use and Modification of Marks**

Franchisor may add to, substitute, or modify any or all of the Marks from time to time, by directive in the Manuals. Franchisee will accept, use, display, or cease using, as may be applicable, the Marks, including any modified or additional trade names, trademarks, Marks, logotypes, and commercial symbols, and will within 30 days of receiving notification, begin to implement the changes and use its best efforts to complete the changes as soon as practicable at its own expense. On the expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, sign in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and fictitious business name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

### **6.4 Use of Other Trademarks**

Franchisee may not use or display or permit the use or display of trademarks, trade names, Marks, insignias or logotypes, other than the fictitious business name (i) in any advertisement that contains the words "AUSSIE PET MOBILE<sup>®</sup>" or any other Marks; (ii) in or on any place of business of Franchisee in any manner that is reasonably visible from outside the place of business; or (iii) in any computer system used at any place of business of Franchisee, or otherwise in connection with the Franchised Business, in any manner that could lead any person to believe that the other trademarks, trade names, Marks, insignias, or logotypes or the products or services with which they are associated are owned or offered by the Franchisor or its Affiliates, except as otherwise expressly permitted in this Agreement or in the Manuals.

### **6.5 Prohibition Against Disputing Franchisor's Rights**

Franchisee may not, during or after the Term of this Agreement, in any way, dispute or impugn the validity of the Marks, the rights of Franchisor to the Marks, or the right of Franchisor or other franchisees of Franchisor to use the Marks.

### **6.6 Mark Infringement Claims and Defense of Marks**

If Franchisee receives notice or otherwise becomes aware of any claim, suit, or demand against it by any party other than Franchisor or its Affiliates, on account of any alleged infringement, unfair competition, or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, Franchisee will promptly notify Franchisor of the claim, suit, or demand. Franchisee may not settle or compromise any such

claim, suit, or demand by a third party without the prior written consent of Franchisor. Franchisor will defend, compromise, or settle at its discretion any such claim, suit or demand at Franchisor's cost and expense, using attorneys selected by Franchisor, and Franchisee agrees to cooperate fully in the matter. Provided that Franchisee has fully complied with the obligations of this Section, Franchisor will indemnify Franchisee against all judgments resulting from any claim, suit, or demand arising from Franchisee's use of the Marks in accordance with the terms of this Agreement. Franchisor will have the sole discretion to determine whether a similar trademark or Mark being used by a third party is confusingly similar to the Marks being used by Franchisee and whether and what subsequent action, if any, should be undertaken with respect to the similar trademark or service mark.

## **6.7 Use of Marks on the Internet**

(a) Franchisee may not develop, create, generate, own, license, lease, or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols, or terms confusingly similar to any of them without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Without limiting the generality of the foregoing, Franchisee will not cause, permit or allow the Marks, or any of them, or any words, symbols or terms confusingly similar to any of them, be used or displayed in whole or part: (i) as, or as a part of, an Internet domain name; (ii) as, or as a part of, a uniform resource locator (or "URL," the unique address assigned to each page of a Web site) at any level or address; or (iii) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag (or the comparable identifier in any future technology) or other Internet-related activity, without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Franchisee may not link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) to any other Web site or authorize any third party to link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(b) Except as provided below, Franchisee may not use, nor authorize any third party to use, the Marks to advertise, promote, offer, or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (i) which are offered at or from the Franchised Business; (ii) which bear any of the Marks; or (iii) which are otherwise offered or sold under the Marks. Franchisee may, however, use the Marks to sell goods or services through the Internet in compliance with the Manuals or with Franchisor's prior written consent, but then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(c) Franchisor is the owner of, and will retain all right, title, and interest in and to the domain name "AUSSIE PET MOBILE<sup>®</sup>", the URL: [www.aussiepetmobile.com](http://www.aussiepetmobile.com), all

existing and future domain names, URLs, addresses and subaddresses (including the Franchisee Page subaddresses), all computer programs and computer code (e.g., HTML, Java) used for or on Franchisor's Web site, excluding any computer programs and computer code owned by third parties (collectively, "Software"), all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data prepared for, used on or in connection with, displayed on, or collected from or through Franchisor's Web site (collectively, "Content), and all intellectual property rights in or to any of them.

## **6.8 Use of Marks in Social Media**

(a) Franchisee may not promote the Franchised Business or use the Marks in any manner on any social media site existing now or in the future (including, without limitation, on blogs, vlogs, Facebook, LinkedIn, Twitter, Instagram, Flickr, Tumblr, Pinterest, Google+, Vine and Snap Chat) or on file-, audio- or video-sharing sites, other than in accordance with Franchisor's written standards. Franchisor has final authority over all social media marketing, and Franchisee must comply with Franchisor's brand standards regarding use of social media in the operation of the Franchised Business. Franchisee may not post communications about the Franchised Business or the System that would disclose the System's confidential or proprietary information, violate any relevant laws, regulations or guidelines or violate the terms of use imposed by the social media site. Franchisee may not post communications about the Franchised Business or the System on any public-facing social media site that is not authorized by Franchisor for use by Franchisee. Franchisee must ensure that policies it adopts for its employees' social media use are consistent with the requirements for social media advertising set forth herein.

(b) Franchisor is under no obligation to provide Franchisee with access to branded social media pages or other social media assets. Any social media pages or other social media assets that Franchisor, in its sole discretion, chooses to make available to Franchisee will be provided only on condition that Franchisee updates them regularly. Any such social media pages or other social media assets maintained by Franchisee shall be deemed "advertising" and shall be subject to all terms of this Section 6.8. Franchisor has the right, but not the obligation, to conduct social media campaigns on behalf of all, or any subset of, Franchisees via local social media.

## **6.9 Copyrights**

(a) Franchisee acknowledges that Franchisor owns the worldwide copyrights and other intellectual property rights to all components of the System that are original works of authorship subject to copyright, including, without limitation, the Manuals, marketing materials, website text, artwork, photographs, musical compositions, sound recordings, audiovisual works, computer software, and architectural designs (collectively, the "Copyrighted Materials"). Franchisee acknowledges and agrees that it may not make translations, copies, adaptations of or modifications to the Copyrighted Materials without the prior written consent of Franchisor.

(b) Neither this Agreement nor the operation of the Franchised Business in any

way gives Franchisee any interest in the Copyrighted Materials other than the right to use the Copyrighted Materials solely in connection with the Franchised Business, solely in accordance with the terms and conditions of this Agreement and solely during the term of this Agreement.

(c) Franchisee acknowledges that Franchisor will own the copyrights and all other rights to translations, modifications and adaptations of or to the Copyrighted Materials made by Franchisee from time to time. Franchisee hereby assigns to Franchisor its copyrights and economic rights and waives any moral rights and similar rights with respect to the translated, modified or adapted Copyrighted Materials, and agrees to execute any and all instruments and documents, render such assistance and perform such acts and things as may, in the opinion of Franchisor, be necessary or advisable in the furtherance of such assignment and waiver. Franchisee will require the same assignment, waiver and covenant in favor of Franchisor by Franchisee's officers and employees and by any independent contractors or other third parties who translate, modify or adapt the Copyrighted Materials.

## **7. TRAINING AND INITIAL AND ONGOING ASSISTANCE**

### **7.1 Initial Training**

(a) Upon payment of the Initial Franchise Fee referred to in Section 4.1, Franchisor will provide initial business training to a maximum of two persons ("Initial Business Training"), one of whom must be an individual with an equity interest in the Franchisee. Franchisor will determine the duration of and the time(s) and place(s) at which the Initial Training will be conducted. Franchisor will provide Initial Training to additional responsible management people as requested by Franchisee, subject to the provisions of Section 7.4. Before beginning Initial Business Training, the attendees must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manuals.

(b) Upon payment of the Initial Franchise Fee referred to in Section 4.1, Franchisor will provide Basic Groomer Training for one experienced person designated by Franchisee. Training will be provided by an existing Franchisee determined by Franchisor to be qualified to conduct Basic Groomer Training.

(c) Franchisor will provide Franchisee with a \$1,000 travel voucher towards the costs of attending Initial Training. Franchisee or its Manager is responsible for all costs in excess of the value of the travel voucher incurred to attend Initial Training.

### **7.2 Ongoing Basic Groomer Training**

Franchisor will arrange ongoing Basic Groomer Training for new experienced groomer employees of Franchisee to be conducted by a suitably qualified AUSSIE PET MOBILE® franchisee. The cost for such training is the amount set forth in the Manual. Franchisor may conduct other training from time to time and if there is a fee for such training, it is payable to Franchisor on or before the first day of training. The ongoing Basic Groomer Training fee is not refundable.

### **7.3 Proprietary Materials**

At Initial Training or other training programs (if any), Franchisor will provide to Franchisee proprietary information for use in connection with the training of Franchisee's staff. At Initial Training, Franchisor will grant Franchisee electronic access to the Manuals for Franchisee's use during the Term of this Agreement. Franchisor may also from time to time make available to Franchisee for purchase certain materials relevant to the System and the Franchised Business. Franchisee may not, and may not allow its employees or others, to copy, reproduce, disseminate, or otherwise reveal to third parties any of the foregoing proprietary information and related materials without Franchisor's express prior written consent.

### **7.4 Additional Attendees**

Provided there is sufficient room at an Initial Training, Franchisor will allow additional responsible management people designated by Franchisee to attend Initial Training, either the same Initial Training as Franchisee's initial attendees or a subsequent Initial Training. People attending Initial Training must have a demonstrable relationship to the management and operation of the Franchised Business. Prior to beginning Initial Training, each person must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manuals. Franchisee must pay Franchisor Franchisor's then-current Initial Training Fee for each additional attendee as set forth from time to time in the Manuals.

### **7.5 Staff Training**

Any employees of the Franchised Business must meet Franchisor's then-current training requirements. The individual with an equity interest in the Franchised Business who completed Initial Training is responsible for training Franchisee's other staff and other management personnel in connection with their respective roles/positions at the Franchised Business. Franchisee may utilize certain of Franchisor's confidential information and proprietary materials, including the Manuals, when conducting training but only to the extent necessary to conduct such training and only pursuant to Franchisor's confidentiality terms and conditions. If Franchisee has a qualified Level 2 or 3 trainer (as described in the Manuals) on staff, Franchisee's Level 2 or 3 trainer may train Franchisee's employees. Franchisee is encouraged to obtain and maintain a Level 2 trainer on staff to conduct groomer training. Franchisee is not required to pay a Groomer Training Fee as set forth in Section 7.2 for training carried out by Franchisee's Level 2 or 3 trainer. If Franchisee has a qualified Level 2 or Level 3 trainer (as described in the Manuals) on staff, Franchisee's Level 2 or Level 3 trainer may train Franchisee's employees to be Level 1 groomers.

### **7.6 Ongoing Assistance**

Franchisor will provide Franchisee continuing consultation and advice, as Franchisor deems necessary and appropriate in its sole discretion, regarding the management and

operation of the Franchised Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, intranet communication, on-site visits, CRM System, or other means. If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus expenses, including Franchisor's travel and lodging expenses, as Franchisor deems necessary in its sole discretion. Franchisor may also use the Manuals to provide some self-serve training materials.

### **7.7 On-Site Assistance**

If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus expenses, including Franchisor's travel and lodging expenses, as Franchisor deems necessary in its sole discretion.

### **7.8 Ongoing Training**

(a) Franchisor may make available to Franchisee, from time to time, ongoing optional training courses, seminars, conferences, or other programs, in a suitable location in Franchisor's discretion. Franchisor reserves the right to exclude prospective trainees from any further training courses who have not attended prerequisite Franchisor training courses.

(b) Upon reasonable notice, Franchisor may require attendance of designated personnel of Franchisee at training courses, seminars, conferences, or other programs other than Initial Training that are considered by Franchisor to be relevant or appropriate to the successful operation of the System. Franchisor will charge no fees for such required training courses, seminars, conferences, or other programs.

(c) In connection with any training courses described in this Section 7.8, Franchisee will pay the travel, hotel and meal expenses for Franchisee's attendees.

### **7.9 Convention**

Franchisor may, at its option, hold a convention or meeting of franchisees annually or at such other interval as Franchisor shall determine. Franchisee will pay the Convention Fee set forth in Section 4.8 and the travel, hotel and meal expenses for Franchisee and Franchisee's attendees. Attendance at Convention is mandatory.

### **7.10 Van Support Program**

Franchisor will manage and operate the VSP. The VSP online troubleshooting guide and ticketing system is operational 24 hours a day, 7 days a week except for reasonable downtime for maintenance and technical outages which will be remedied as soon as practicable. Full particulars of the VSP are outlined in the Manual.



## 8. OPERATION OF BUSINESS

### 8.1 Franchisee Operational Requirements

(a) Opening Requirements. Franchisee shall open and commence operating the Franchised Business within 6 weeks after completion of Initial Training and, in any event, within 6 months of the Effective Date.

(b) Customized Vehicle.

(i) Acquisition and Installation of Designated Equipment. For Franchisee's first Customized Vehicle, Franchisee must purchase, lease or enter into a financing arrangement for a new Sprinter Van in sufficient time to deliver the Sprinter Van to Franchisor or its designee for installation of the Designated Equipment prior to Initial Training. For additional Customized Vehicles, Franchisee may, with Franchisor's prior approval, purchase a pre-owned Customized Vehicle from Franchisor or another AUSSIE PET MOBILE® franchisee that complies with the requirements of this Agreement and the Manuals and which includes the Designated Equipment, subject to any then-current policies of Franchisor with respect to resales of Customized Vehicles. The Designated Equipment and all other aspects of the pre-owned Customized Vehicle may require updates and/or upgrades to bring it up to Franchisor's current Designated Equipment specifications and standards, all of which must be completed at Franchisee's sole cost and expense (including parts and installation) prior to putting the pre-owned Customized Vehicle into service in the Franchised Business.

(ii) DISCLAIMER OF LIABILITY. Except for any specific written warranties expressly provided in connection with items of Designated Equipment, Franchisor will not be liable to any person or entity for any aspect of the operation of the Customized Vehicle(s) or the labor or installation of the Designated Equipment therein, other than for intentional acts or gross negligence and, **IN NO EVENT SHALL FRANCHISOR OR ANY OF FRANCHISOR'S AFFILIATES BE LIABLE TO FRANCHISEE OR ANY THIRD PARTY FOR CONSEQUENTIAL, INCIDENTAL, INDIRECT OR SPECIAL DAMAGES OF ANY NATURE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS, LOSS OF BUSINESS OR OF ANTICIPATORY PROFITS, EVEN IF APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES.**

(iii) Maintenance and Operation. Franchisee agrees that the Customized Vehicle(s) will be maintained and operated as follows:

(a) Franchisee will maintain the Customized Vehicle(s) and every component of the Designated Equipment in good order and repair at all times as specified in the Manuals.

- (b) Franchisee will keep the Customized Vehicle(s) fully insured as specified in the Manuals.
- (c) Franchisee will keep the Customized Vehicle(s) fully registered and roadworthy in accordance with applicable laws.
- (d) Franchisee will keep the Customized Vehicle(s) at all times in a clean and tidy condition and free of any advertising or promotional material other than that required by the Manuals and will exhibit such signage, colors and logos on the Customized Vehicle(s) and upgrade or revise the same as specified in the Manuals from time to time.
- (e) Franchisee will not alter the internal or external appearance of the Customized Vehicle(s) or any fittings or equipment contained within or without the Customized Vehicle(s) in any way other than as specified in the Manuals.
- (f) Franchisee will maintain and upgrade the Customized Vehicle(s) and all other equipment as specified from time to time in the Manuals so as to always meet Franchisor's then-current specifications for Customized Vehicles and other equipment.
- (g) Franchisee will only use a Franchisor-approved service center for repairs and maintenance of the Customized Vehicle(s), the Hydrobath and all other equipment.

(c) Grand Opening Advertising. Franchisee must spend at least \$1,500 per month for each of the first three months of the term on a grand opening marketing program provided by Franchisor's approved supplier once Franchisee's Web Site goes live. Franchisor's approved supplier will provide advice and guidance to Franchisee with respect to Franchisee's grand opening advertising which Franchisee will follow.

(d) Personnel/Staffing. Franchisee must employ a sufficient number of qualified, competent personnel, offer prompt, courteous and efficient service to the public, and otherwise operate the Franchised Business in compliance with the System so as to preserve, maintain and enhance the reputation and goodwill of the System. All employees engaged in the operation of the Franchised Business during working hours shall dress conforming to Franchisor's standards and shall present a neat and clean appearance in conformance with Franchisor's reasonable standards and shall render competent, efficient service to the customers of the Franchised Business. Although Franchisor may make recommendations to Franchisee (in the Manuals or otherwise) concerning employees, Franchisor and Franchisee are not joint employers of Franchisee's employees and other personnel. Franchisor does not and will not share or codetermine any of Franchisee's employees' essential terms and conditions of employment. More specifically, in no case does Franchisor have any authority to determine or set Franchisee's employees': (1) wages, benefits and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6)

the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. Franchisee alone has sole authority to determine any or all of Franchisee's employees' essential terms and conditions of employment. Franchisee will indemnify Franchisor (under Section 13.3, below) for any actual or alleged claim that Franchisor and Franchisee are joint employers of any Franchisee employee or personnel and all claims arising out of or relating to Franchisee's employees and Franchisee's hiring, firing, and discipline decisions concerning those employees.

(e) Compliance with Manuals and Training of Employees. Franchisee agrees to conduct the Franchised Business in accordance with the Manuals. Franchisee shall immediately train and instruct Franchisee's employees in accordance with the Manuals, and shall continue such training and instruction as long as each employee is employed. The Manuals shall set forth the practices, procedures and methods to be utilized in the Franchised Business and Franchisor may require Franchisee to conform Franchisee's practices to national programs, which Franchisor has designed as part of Franchisor's System.

(f) Management Participation. Franchisee (or at least one of Franchisee's principals if Franchisee is a corporation or partnership) must devote his or her personal full-time attention and best efforts to the management and operation of the Franchised Business. Upon Franchisee's written request, Franchisor may permit Franchisee to employ a manager to manage the day-to-day operations of the Franchised Business (the "Designated Manager"), provided the Designated Manager: (i) is approved by Franchisor in writing prior to hiring; and (ii) successfully completes Franchisor's Initial Training Program before assuming any managerial responsibility. The Franchised Business must, at all times, be staffed with at least one (1) individual who has successfully completed Initial Training as set forth in Section 7.1. In the event that Franchisee operates more than one Franchised Business, Franchisor may require Franchisee to have a properly trained Designated Manager who has been approved by Franchisor for each Franchised Business. Franchisee will keep Franchisor informed at all times of the identity of any employee acting as Designated Manager of the Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated from the Franchised Business, the replacement must be trained pursuant to Franchisor's then-current standards. The new Designated Manager must successfully complete Initial Training within thirty (30) days of hiring. Franchisor reserves the right, without the obligation, to train the new Designated Manager directly. Franchisee and any Designated Manager(s) are not permitted to maintain other employment or engage in any other business activities during the term of this Agreement.

(g) Working Capital. Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the business in a businesslike, proper and efficient manner.

(h) Inventory. Prior to commencement of operations, Franchisee shall adequately supply the Franchised Business with representative supplies, equipment and inventory as prescribed by Franchisor, and any other items of the type, quantity and quality as specified by Franchisor. Franchisee must, at all times, maintain sufficient levels of inventory to adequately meet consumer demand.

(i) Products with Proprietary Marks. Franchisee shall in the operation of its Franchised Business, use and display such labels, forms, supplies, equipment and inventory imprinted with the Proprietary Marks and colors as may be prescribed by Franchisor.

(j) Market Research. Franchisor may, from time to time, conduct market research and testing to determine the viability of new products and services. Franchisee must cooperate by participating in such programs and by purchasing and promoting the sale of such test products and services, if required by the Franchisor.

(k) Customer Service. Franchisee must comply with any standards, specifications or methodologies that Franchisor establishes in the Manuals or otherwise in writing regarding customer service requirements, warranties on any Approved Products or Services offered or sold by the Franchised Business, refund policies and other standards and specifications.

(l) Customer Relations. Except as otherwise specified by Franchisor in the Manuals or otherwise, Franchisee must immediately resolve any customer complaints regarding the quality of the products and services of the Franchised Business or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee must use reasonable efforts to resolve the customer complaints as soon as practical. If Franchisor determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Franchisor believes that Franchisee has failed adequately to address or resolve any customer complaints, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee must pay Franchisor immediately on demand.

(m) Standard Maintenance and System Conformity. Franchisee agrees to repair, refinish, replace, and/or otherwise refurbish the Franchised Business's Customized Vehicle(s), equipment, uniforms, and any other tangible part or property of the Franchised Business at Franchisee's sole expense at such times as Franchisor may reasonably direct. If at any time, in Franchisor's judgment, the general state of repair or the appearance of the Customized Vehicle(s) or equipment, does not meet Franchisor's standards, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate curative action within fifteen (15) days after receipt of such notice, Franchisor shall have the right (but not the obligation), in addition to all other remedies, to effect such maintenance on behalf of Franchisee, and Franchisee shall pay the entire costs thereof on demand.

(n) Taxes. Franchisee will pay any and all personal property, income, sales, use, excise, ad valorem, and other taxes, regardless of source or nature, which may be imposed, levied, assessed, or charged on, against, or in connection with, the Franchised Business or any product or service sold or furnished by Franchisee under this Agreement or otherwise, by any federal, state, county, municipal, or other governmental agency or subdivision which may have jurisdiction over the Franchised Business or the products or services offered in connection with it.

## 8.2 Purchasing Requirements

(a) Compliance with Standards. Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Agreement and the Manuals are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the System. Franchisee shall adhere to the standards and specifications set forth in this Agreement and the Manuals and any revisions or amendments to same. Franchisee shall use the supplies, fixtures, equipment, computer hardware and software, product samples and promotional materials that comply with Franchisor's then-current standards and specifications, which Franchisor will establish and modify from time to time at Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

(b) Designated and Approved Suppliers. Franchisee must use Franchisor's designated suppliers to purchase any items and/or services necessary to operate the Franchised Business. Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase product samples and other supplies, services, furnishings, fixtures, computer hardware and software, and other equipment from Franchisor or from approved or designated suppliers as Franchisor shall specify, from time to time, in the Manuals and otherwise in writing (each an "Approved Supplier"). Franchisee hereby acknowledges that Franchisor, Franchisor's Affiliates and/or a third party may be one of several, or the only, Approved Supplier of any item. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's Affiliates have the right to realize a profit or otherwise derive revenue on any products or services that Franchisor, Franchisor's Affiliates or Franchisor's Approved Suppliers supply and/or provide to Franchisee. Franchisor has the irrevocable right to modify, supplement or otherwise change its lists of Approved Suppliers and any items that must be purchased from such Approved Suppliers at any time, as Franchisor deems advisable in its sole discretion. Franchisor may provide Franchisee with notice of such modifications to these lists via the Manuals or any other manner Franchisor deems appropriate.

(c) Supplier Approval. In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole, as well as the maintenance of Franchisor's Confidential Information. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of

approved suppliers.

- (i) Franchisee, or the proposed supplier, must pay Franchisor in advance for Franchisor's reasonable costs that Franchisor estimates it will incur in connection with inspecting the alternate supplier, its facilities, and/or the previously non-approved item(s) proposed by Franchisee. If the costs Franchisor incurs are more than the amount Franchisee or the proposed supplier advanced, then Franchisor may withdraw additional funds from Franchisee's designated bank account for the difference, or if the actual amount Franchisor incurs is less than the amount of the advancement, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.
- (ii) Franchisor will notify Franchisee in writing if Franchisee's request is approved within thirty (30) days of: (A) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (B) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied.
- (iii) Franchisor may, but is not obligated to, provide Franchisee's proposed supplier or provider with its specifications for the item that Franchisee wishes the third-party to supply, provided that the third-party executes Franchisor's prescribed form of non-disclosure agreement.
- (iv) Each supplier that Franchisor approves of must comply with Franchisor's requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract.
- (v) Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier.

(d) System Suppliers. Franchisor may establish business relationships, from time to time, with suppliers who may produce and/or provide certain goods or services that Franchisee is required to purchase from only that supplier (each a "System Supplier"). These System Suppliers may provide, among other things, supplies, fixtures, technology,

marketing materials, marketing services, software, and equipment, all in accordance with Franchisor's proprietary standards and specifications, or private label goods that Franchisor has authorized and prescribed for sale by System franchisees. Franchisee recognizes that such products and services are essential to the operation of the Franchised Business and to the System generally. Franchisee further recognizes that Franchisee's failure to pay System Suppliers may interfere with such suppliers' willingness to supply the System and may result in other System franchisees' inability to obtain product or ability to obtain product only on less favorable credit terms. Accordingly, Franchisee agrees to pay System Suppliers as and when due. Franchisee must use products purchased from Approved Suppliers solely in connection with the operation of the Franchised Business and not for any competitive business purpose.

(e) Warranties. With respect to goods or services provided by Franchisor, Franchisor's Affiliates, System Suppliers, or Approved Suppliers, other than specific written warranties expressly provided in connection with such goods or services, such goods and services are provided without any warranties, express or implied, the implied warranties of merchantability and fitness for a particular purpose being expressly disclaimed.

### **8.3 Authorized Products and Services**

Franchisee shall offer for sale all products and services which Franchisor prescribes and only those products and services which Franchisor prescribes. Franchisee may not offer any other products or services for sale without having received Franchisor's prior written authorization. Franchisee shall at all times maintain sufficient levels of inventory, as specified in the Manuals, to adequately satisfy consumer demand. Franchisee must offer, use and sell any private label products which Franchisor may now or in the future designate for sale by System franchisees.

### **8.4 Technology and Computer Systems**

Franchisor has the right to mandate certain brands, types, makes, and/or models of communications, computer systems, software and hardware, including without limitation: (1) the Aussie Customer Management System and/or back office and point of sale systems, mobile devices, data, audio, video, and voice storage, retrieval, and transmission systems for use in the Franchised Business, between or among franchised businesses, and between and among Franchisee's Franchised Business and Franchisor, Franchisor's designee, and/or Franchisee; (2) physical, electronic, and other security systems; (3) printers and other peripheral devices; (4) archival back-up systems; and (5) Internet access mode (e.g., form of telecommunications connection) and speed (collectively, the "**Computer System**"). Franchisee must purchase or lease, and thereafter maintain, the Computer System, and comply with Franchisor's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing.

(a) Franchisor's Use of Data

Franchisor shall have the right at any time to retrieve and use such data and

information from Franchisee's Computer System that Franchisor deems necessary or desirable, including, without limitation, the uses identified above. In view of the contemplated interconnection of Computer Systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it must strictly comply with Franchisor's standards and specifications for all items associated with the Computer System and will otherwise operate the Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and Computer Systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee must keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee must promptly install such additions, changes, modifications, substitutions, and/or replacements to Franchisee's computer hardware, software, telephone, and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee must provide Franchisor, upon Franchisor's request, all email lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

(b) Required Programs

Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Programs"); (b) updates, supplements, modifications, or enhancements to the Required Programs; (c) the tangible media upon which Franchisee must record or receive data; (d) the database file structure of the Computer System; (e) an electronic portal for informational assistance which may include, without limitation, the Manuals, training, other assistance materials, and management reporting solutions; and (f) answering service requirements.

(c) Upgrades and Access

Franchisee agrees to use the Computer System and Required Programs in the manner that Franchisor requires. Franchisor may charge a reasonable software license fee for any Required Programs. Franchisee agrees to implement and periodically update and make other changes to the Computer System as Franchisor requests in writing, which shall not be more often than one upgrade per year (collectively, "Computer Upgrades"). Franchisee will comply with Franchisor's written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Programs, and with respect to Computer Upgrades, at Franchisee's own expense.

Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Programs in the manner, form, and at the times that Franchisor requests. Franchisee must provide Franchisor with user identifications and passwords required to access files and other information contained on the Computer System.



Because changes to technology are dynamic and not predictable within the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies and data security, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's new standards (and with Franchised Business audits conducted by Franchisor or its designee to confirm Franchisee's compliance) as if this Section, and other technology provisions in this Agreement, were periodically revised for that purpose.

## **8.5 Extranet/Electronic Portal**

Franchisee must comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet and/or electronic portal and/or such other computer systems as Franchisor may reasonably require. The term "Extranet" means a private network based upon Internet protocols that will allow users inside and outside of Franchisor's headquarters to access certain parts of Franchisor's computer network via the Internet. Franchisor may establish an Extranet and/or electronic portal (but is not required to do so or to maintain an Extranet and/or electronic portal). Franchisee must comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Extranet and/or electronic portal, and utilizing the Extranet and/or electronic portal in connection with the operation of the Franchised Business. The Extranet and/or electronic portal may include, without limitation, the Manuals, training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct).

Franchisee must purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet and/or electronic portal. Franchisor reserves the right to require Franchisee to contribute a reasonable amount toward the cost of the Extranet's and/or electronic portal's maintenance and further development. If Franchisee fails to comply with any policy or procedure governing the Extranet and/or electronic portal, Franchisor may temporarily suspend Franchisee's access to all or any aspect of the Extranet and/or electronic portal (such as a chat room, bulletin board, listserv or similar feature) until Franchisee fully cures the breach. Franchisee will not have any claim against Franchisor or any affiliate arising from such suspension from the Extranet and/or electronic portal pursuant to this Section 8.5, and Franchisee hereby waives any such claim it may at any time have and releases Franchisor and its Affiliates from any liability arising therefrom.

Franchisee and Franchisor shall each be responsible for protecting their own interests in relation to electronic communications. Franchisor shall have no liability to Franchisee on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss, or omission arising from or in connection with electronic communication of information.

## **8.6 Manuals**

(a) Prior to commencing operation of the Franchised Business, Franchisor will provide Franchisee with secure access to the Manuals. The Manuals will remain confidential and the property of Franchisor, constituting a trade secret of Franchisor, and may not be shared, loaned out, duplicated, distributed or copied in whole or in part in any manner. The provisions of the Manuals constitute provisions of this Agreement as if fully set forth herein. Franchisor will have the right to add to and otherwise modify the contents of the Manuals from time to time in writing in any manner, including through the Manuals, email, Franchisor's website, or any other means. Franchisee must always follow the directives in the Manuals, as they may be modified by Franchisor from time to time. Such compliance by Franchisee is necessary to protect the integrity and reputation of the System.

(b) Franchisor agrees that although the modifications to the Manuals may be material in that they may have an effect on the operation of the Franchised Business, they may not conflict with or materially alter the terms of this Agreement.

(c) All additions, deletions, or modifications to the Manuals will be equally applicable to all similarly-situated franchisees. The Manuals, as modified or amended from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. References to the Manuals made in this Agreement, or in any amendments or exhibits to this Agreement, will be considered to mean the Manuals as amended from time to time.

## **8.7 Local Area Marketing**

(a) Franchisee must use best efforts to promote and advertise the Franchised Business and participate in any local marketing and promotional programs that Franchisor establishes from time to time. In addition to the National Advertising Fee in Section 4.6, Franchisor requires that Franchisee invest the amount specified in the Manuals on local marketing and promotion.

(b) Franchisee has the right to conduct such advertising and promotions of the Franchised Business as Franchisee in its reasonable discretion desires, provided that:

- (i) Franchisee must advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the Approved Products and Services and the good name, goodwill and reputation thereof;
- (ii) Franchisee must submit all proposed advertising and promotions to Franchisor for its approval, which approval may not be unreasonably withheld or unduly delayed. Franchisee may not use any advertising or promotions until Franchisor has given its written approval of such advertising or promotions; and
- (iii) Franchisee hereby acknowledges that all rights, including, without limitation, all intellectual property rights, in all advertising and promotional material prepared by or on behalf of Franchisor are

and will at all times remain the property of Franchisor.

## **8.8 Regional Advertising and Promotional Cooperative**

Franchisor may, in Franchisor's discretion, designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the Franchised Business. If a Cooperative is established applicable to the Franchised Business, Franchisee must participate in the Cooperative. The following provisions will apply to each Cooperative:

(a) Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

(b) Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local marketing;

(c) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior approval. All such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 8.7(b)(ii);

(d) Each Cooperative will have the right to require its members to make contributions to the Cooperative in such amounts as determined by the Cooperative ("Local Marketing Requirement"); however, the Cooperative may, by a two-thirds majority vote of its members, require a Cooperative contribution in excess of the Local Marketing Requirement;

(e) Each member franchisee must submit to the Cooperative its respective contribution together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's approval;

(f) Franchisor may grant to Franchisee, in its sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request from Franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption will be final; and

(g) Franchisor will have the power to require any Cooperative to be formed, changed, dissolved, or merged at any time.

## **8.9 Toll Free Number, Web Sites**

(a) Franchisor will operate a toll-free telephone number (1-800-PET-MOBILE and/or other number) and/or web site ("Telephone Number/Web Site System") directing inquiries from prospective retail customers to AUSSIE PET MOBILE<sup>®</sup> franchisees. Franchisee will participate in the Telephone Number/Web Site System and Franchisee acknowledges that: (i) the Telephone Number/Web Site System, and all numbers/URLs and

other locators/designators are and will be exclusively owned by Franchisor; and (ii) the Telephone Number/Web Site System may, among other things, provide Franchisee with inquiries from existing and potential retail customers. All charges associated with the establishment, management and operation of the Telephone Number/Web Site System are paid from the National Advertising Fund, however, Franchisor may elect to instead charge franchisees directly for the Telephone Number/Web Site System. If Franchisor so elects to charge franchisees directly, Franchisee agrees that Franchisee will be responsible for the payment of such reasonable fees as Franchisor may specify. Unless expressly permitted by Franchisor in writing, Franchisee must not use in marketing, operations or otherwise, any telephone number or URL, or engage in any similar advertising, other than as approved by Franchisor, including the AUSSIE PET MOBILE<sup>®</sup> toll-free number or URL.

(b) Franchisor may impose other requirements concerning telephones and telephone numbers in the Manuals including the requirement that Franchisee utilize call tracking technology as may be prescribed by Franchisor in the Manuals.

### **8.10 Insurance**

(a) General. Franchisee must maintain, at Franchisee's expense, in full force and effect throughout the Term of this Agreement, the types of insurance and the minimum policy limits specified in the Manuals. In determining and modifying such requirements, Franchisor agrees to use reasonable business judgment and only require such insurance and minimum policy limits that are reasonable and customary in the pet grooming industry. The insurance policy or policies must be in effect at least thirty (30) days prior to opening the Franchised Business. The insurance policy or policies must protect Franchisee, Franchisor, and Franchisor's past, present, and future officers, directors, owners, managers, members, stockholders, Affiliates, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense whatsoever arising out of or occurring upon or in connection with the condition, operation, use, or occupancy of the Franchised Business and the Customized Vehicle(s). Franchisee shall name Franchisor as an additional insured under each policy, except for policies required by statute in Franchisee's jurisdiction, including, but not limited to, workers' compensation and employer's liability insurance policies. Franchisor reserves the right to amend, modify, and/or supplement additional types of coverage and/or increase the required minimum amount of coverage upon providing Franchisee reasonable notice through the Manuals or otherwise in writing by Franchisor. Franchisee's obligation to obtain coverage is not limited in any way by insurance that Franchisor maintains. Upon Franchisor's request or as specified in the Manuals, Franchisee shall provide Franchisor with certificates of insurance evidencing the required coverage and any other documentation in connection therewith.

(b) Insurance Rating, Approval, and Certification. All insurance carriers must be approved by Franchisor in advance and in writing. All insurance policies must be issued by insurance companies with a rating of A-VII or better as reported in the most recent edition of A.M. Best's Insurance Report. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by any of Franchisee's lenders or Customized Vehicle lessors,

and such workers' compensation insurance as may be required by applicable law. Franchisee must deliver a certificate of insurance to Franchisor at least twenty (20) days prior to opening the Franchised Business and ten (10) days prior to any renewal of the required policies, as evidence that all insurance requirements have been met. All insurance policies held by Franchisee will be primary to any policy or policies held by Franchisor or its Affiliates.

(c) Designees. All liability policies will list Franchisor as an additional insured except the Employment Practices Liability policy where Franchisor will be named as co-defendant. The Commercial General Liability policy shall contain a waiver of subrogation in favor of Franchisor and any parties Franchisor designates, and will be primary and non-contributory to any insurance Franchisor might carry. Franchisor reserves the right to modify required insurance coverage during the course of this Agreement based on changes in risk factors with which Franchisee will comply upon written notice from Franchisor.

(d) Claims Cancellation. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within twenty-four (24) hours of Franchisee's receipt of said claims or cancellations. Franchisee has a twenty-four (24) hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least thirty (30) calendar days' prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certificate of insurance which demonstrates compliance with this Section 8.10.

(e) Failure to Maintain Insurance. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and a reasonable administrative fee for the costs incurred in connection with Franchisor obtaining the insurance.

(f) Modification of Requirements. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days' prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice and promptly supply Franchisor with a certificate of insurance evidencing the modification.

## **8.11 Reporting, Data, Records and Rights of Inspection**

(a) Franchisor may, from time to time, specify in the Manuals or otherwise in writing the information that Franchisee will collect and maintain on the Computer System (as defined in Section 8.4), and Franchisee will provide to Franchisor such reports as Franchisor may from time to time prescribe in the Manuals. Without limiting the generality of the foregoing, Franchisee must maintain, for at least ten (10) fiscal years from their preparation, full, complete and accurate records of all sales, marketing activities, contracts, estimates, authorizations, receipts, payroll and accounts payable and any other documents and records used in connection with the Franchised Business, in accordance with the standard accounting system described by the Franchisor in the Manuals or otherwise

specified in writing. Franchisee must also provide Franchisor with complete financial records for the operation of the Franchised Business as described in this Section 8.11 in accordance with generally accepted accounting principles. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including without limitation data pertaining to or otherwise concerning the Franchised Business's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from, Franchisee's Computer System) is and will be owned exclusively by Franchisor without compensation to Franchisee. Copies and originals of such data must be provided to Franchisor on Franchisor's request. Franchisor by this Agreement licenses use of such data back to Franchisee for the Term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the Franchised Business.

(b) Franchisee will submit monthly Gross Revenue reports by the fifth day of the month for the immediately preceding calendar month in the form and via the method prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

(c) Franchisee will maintain during the Term, and for a period of 36 months following expiration or termination of this Agreement for any reason, complete and accurate records of all Gross Revenue, in the form and manner specified by Franchisor in the Manuals. Franchisor shall have the right, during normal business hours, and without prior notice to Franchisee, to inspect or audit, or cause to be inspected or audited the financial books, records, bookkeeping and accounting records, documents or other materials in respect of the Franchise Business, including the right, without limitation, to have a person on the premises to check, verify and tabulate Gross Revenue, and/or to examine and make copies of all accounting and business records and procedures. In the event that any such audit or inspection shall disclose an understatement of Gross Revenue, Continuing Royalty or other material financial information related to the Franchised Business, Franchisee shall pay to Franchisor, within fourteen (14) days after receipt by Franchisee of the inspection or audit report, the Continuing Royalty and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of Franchisee to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue for any year or part thereof to be made, or that Gross Revenue, Continuing Royalty or other material financial information for the period in question were understated by 5% or more of the Gross Revenue actually received, Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with any Franchisor requirement and Franchisee shall promptly pay to Franchisor all costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of Franchisor or its designee who performed the audit or inspection. In the event any audit or inspection reveals any understatement of 5% or more of Gross Revenue, Franchisor has the right as it deems necessary to conduct further audits or inspections for up to two years thereafter, at Franchisee's expense for all costs and expenses of the subsequent audit or inspection. Franchisee acknowledges and agrees that if a subsequent audit or inspection reveals any understatement of Gross Revenues of 5% or more, in addition to any other available remedies, Franchisor will have the right to terminate

this Agreement without any opportunity to cure in accordance with Section 10.2 of this Agreement. If Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Revenue for the period under consideration and Franchisee shall immediately pay to Franchisor any amount shown thereby to be owing on account of the Continuing Royalty and other sums due on account of any understatement. Any such estimate shall be final and binding on Franchisee.

(d) Within two weeks of each calendar month end Franchisee will furnish Franchisor with a summary profit and loss statement in Franchisor's required form. Within 60 days after each of Franchisee's fiscal years end, Franchisee will furnish Franchisor with (i) a detailed profit and loss statement in Franchisor's required form together with a balance sheet for the Franchised Business for the previous fiscal year, (ii) a statement of gross sales for the previous fiscal year, and (iii) a list of Franchisee's business offices (including the addresses and telephone numbers of each), along with any further information Franchisor reasonably requests. All of the financial statements and information will be prepared according to the guidelines prescribed by Franchisor in the Manuals, and will be certified by Franchisee, or in the case of a corporate Franchisee, by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true and correct.

(e) Tax Returns. In addition to the information and materials set forth in Section 8.11(a), Franchisee agrees to maintain, and furnish to Franchisor within thirty (30) days of filing: (i) complete copies of all federal, state and local tax returns, including those detailing income, sales, value added, use and service taxes, as well as employee withholding, workers' compensation, and similar reports filed by Franchisee reflecting financial activities of the Franchised Business; and (ii) Franchisee's (or Franchisee's principals') personal federal, state and local tax returns.

(f) Franchisor may, at any time, use any financial report or statement, or any information derived from them, in aggregate form, as part of Franchisor's disclosure document or similar document.

## **8.12 Compliance with Laws**

Franchisee will (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, some of which are subject of specific policies set forth in the Manuals and which policies must be strictly adhered to; (ii) comply with all applicable wage and hour and other laws and regulations of the federal, state, or local governments; (iii) prepare and file all necessary tax returns; and (iv) pay promptly all taxes imposed upon Franchisee or upon its business or property. Franchisee represents and warrants that it will obtain and maintain all necessary permits, certificates, and/or licenses necessary to conduct the Franchised Business in the Protected Territory. Franchisee will immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification will include all relevant details concerning the proceedings, according to the procedures described in the Manuals.

### **8.13 Pricing**

Franchisee is solely responsible for determining the prices of Approved Products and Services offered by the Franchised Business, however, Franchisee is required to comply with any maximum or minimum resale pricing restrictions Franchisor may implement so long as such pricing does not violate applicable law. Franchisee must fully honor all coupons, price reductions and other promotions/programs as directed by Franchisor.

### **8.14 No Competing Businesses**

(a) Franchisee acknowledges that, under this Agreement, Franchisee will receive valuable specialized training, trade secrets, and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of the System. Franchisee acknowledges that this specialized training, trade secrets, and confidential information provide a competitive advantage and will be valuable to Franchisee in the development and operation of the Franchised Business, and that gaining access to this specialized training, trade secrets, and confidential information is, therefore, a primary reason why Franchisee is entering into this Agreement.

(b) In consideration for this specialized training, trade secrets, confidential information, and rights, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee will not during the Term, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any people, partnership, or corporation:

- (i) Divert or attempt to divert any business or customer of the Franchised Business to any "Competitor" (as defined below), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System. For purposes of this Agreement, a "Competitor" is a business that derives revenues from the direct or indirect sale of pet grooming services.
- (ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks.

(c) For a continuously uninterrupted period of two years, beginning with "expiration date" specified below, Franchisee will not, directly or indirectly, for itself, or through, on behalf of, or in conjunction with any other person:

- (i) Divert or attempt to divert any business or customer of the Franchised Business to any Competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act



injurious or prejudicial to the goodwill associated with the Marks and the System.

- (ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor that is, or is intended to be, located within, or within a 25 mile radius of, the Protected Territory or the territory of any AUSSIE PET MOBILE<sup>®</sup> business in existence or under development as of the expiration date.

For purposes of this Section, "expiration date" is the date that this Agreement expires without renewal or is terminated (regardless of the reason for termination), or that Franchisee transfers all of its interest in this Agreement.

(d) Franchisee acknowledges that each of the covenants contained in this Section is a reasonable limitation as to time, geographical area, and scope of activity to be restrained, and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each of the covenants in this Section will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section. This Section will not apply to the ownership of less than a 1% beneficial interest in the outstanding equity securities of any publicly held company.

(e) Franchisee understands and acknowledges that Franchisor may, in its sole discretion, reduce the scope of any covenant in this Section without Franchisee's consent, effective immediately upon notice to Franchisee. Franchisee agrees that any covenant as so modified will be fully enforceable, and Franchisee covenants that it will comply with the modified covenant.

(f) Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(g) Franchisee must require and obtain signing of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from its Manager. Additionally, at Franchisor's request, Franchisee will require and obtain signing of similar covenants to those identified in the preceding sentence from any personnel of Franchisee who have received or will have access to training from Franchisor. Franchisee will also require all people who Control Franchisee or who own (directly or indirectly) 10% or more of Franchisee to sign similar covenants. Any covenants required under this Section will be substantially in the form of this Section.

## 8.15 Franchisor's Web Site

(a) Franchisor has established and will maintain from time to time one or more sites on the Internet that may, among other things, facilitate orders, provide information about the System and the products and services that are offered at businesses operated under the Marks, and allow end-users to locate a nearby business operated under the Marks ("Franchisor's Web site"). Franchisor has sole discretion and control over the design and content of Franchisor's Web site. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content, and functionality of Franchisor's Web site; (ii) make operational changes to Franchisor's Web site; (iii) change or modify the URL and/or domain name of Franchisor's Web site; (iv) substitute, modify, or rearrange Franchisor's Web site, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (A) comply with applicable laws, (B) respond to changes in market conditions or technology, and (C) respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to Franchisor's Web site; and (vi) disable or terminate Franchisor's Web site without any liability to Franchisee.

(b) Franchisor may link Franchisor's Web site to the Web sites of third parties, including electronic service providers, Franchisor's Affiliates, and other providers of goods and services. Franchisor may also permit third parties to link (including links to interior pages of Franchisor's Web site, including the Franchisee Page) and frame Franchisor's Web site (including the Franchisee Page). Franchisor may place legal notices, disclaimers, Franchisor's Marks, corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on Franchisor's Web site, all of which may be modified, expanded, or eliminated at Franchisor's option. Further, Franchisor may establish or participate in programs whereby Franchisor refers end-users to other Web sites, or Franchisor receives referrals from other Web sites. All consideration (monetary and non-monetary) received by Franchisor on account of the placement or sale of advertisements, endorsements, and sponsorships on Franchisor's Web site (including any Franchisee Page), and all consideration (monetary and non-monetary) received by Franchisor on account of affiliate programs, will belong only to Franchisor. Franchisor may also establish programs that encourage repeat visits to Franchisor's Web site by end-users.

(c) Franchisor's Web site may include one or more interior pages that identify AUSSIE PET MOBILE<sup>®</sup> franchisees operating under the Marks, including the Franchised Business, by among other things, geographic region, address, telephone numbers, and other appropriate matters. Franchisor's Web site may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.

(d) Franchisor may, from time to time, establish one or more interior pages on Franchisor's Web site dedicated in whole or in part to the Franchised Business ("Franchisee Page"). Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's compliance with the procedures, policies, standards, and specifications that Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions, or updates) to the content made by Franchisee for any purpose will be considered to be a "work made for hire" under the

copyright laws, and therefore, Franchisor will own the intellectual property rights in and to the modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee assigns those modifications to Franchisor for no additional consideration and with no further action required and will sign any further assignments as Franchisor may request.

(e) Without limiting Franchisor's general unrestricted right to permit, deny, and regulate Franchisee's participation on Franchisor's Web site in Franchisor's sole discretion, if Franchisee breaches this Agreement, or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate the Franchisee Page and remove all references to the Franchised Business on Franchisor's Web site or redirect customer leads to other franchisees pursuant to Section 2.2(c) until the breach is cured.

(f) Franchisor has no control over the stability or maintenance of the Internet generally. As a result, Franchisor is not responsible for damage or loss caused by errors of the Internet. Furthermore, Franchisor is not liable for any direct, indirect, special, incidental, exemplary, or consequential damages arising out of the use of, or the inability to use, Franchisor's Web site or the Internet, including loss of profits, goodwill, or savings, downtime, or damage to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

#### **8.16 E-mail, Internet, Social Media and Other Media**

(a) Franchisee must comply with Franchisor's requirements and policies (as described in the Manuals or otherwise in writing) with respect to all digital media (including, but not limited to, Franchisor's web site) in connection with the Franchised Business and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, in social media or any other media, regarding the Franchised Business. Such activities include, without limitation, participation in any Internet blogs, vlogs or social media sites. Any such activities which are not expressly permitted in the Manuals or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, will be subject to Franchisor's prior approval.

(b) Franchisee may advertise and promote the Franchised Business via social media, which must be comprised of pages, communications and content located on third party platforms using the Marks as specified by Franchisor (collectively, "Franchisee's Social Media"), provided that Franchisor is granted administrator access rights to Franchisee's Social Media. All uses of Franchisee's Social Media pages and communication channels and uses must be established in accordance, and at all times be in compliance with, the Manuals.

(c) Franchisee agrees not to transmit or cause any other party to transmit consumer advertisements or solicitations by e-mail or other digital media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the

Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

(d) Franchisee must promptly discontinue any advertising or promotion using social media, whether or not previously agreed to by Franchisor, upon notice from Franchisor that it reasonably considers that such use of social media does not conform to the System standards. Upon the expiration or termination of this Agreement, Franchisee will assign ownership (to the extent Franchisor does not already own them) of all domain names, account names, handles, and user names used by Franchisee in its business under this Agreement and Franchisee will take all such actions as Franchisor reasonably requires to disassociate Franchisee from any such names and social media pages.

### **8.17 Franchisor Electronic Portal**

(a) Franchisor may establish and maintain, at its option, either a series of "private" pages on Franchisor's Web site (described in Section 8.15) or electronic portal through either of which Franchisor, franchisees of Franchisor, and their respective employees may communicate with each other, and on or through which Franchisor may host or disseminate the Manuals, updates to it, and other confidential information. Franchisor will have sole discretion and control over all aspects of the electronic portal, including the content and functionality of the electronic portal. Franchisor will have no obligation to maintain the electronic portal indefinitely, and may dismantle it at any time without liability to Franchisee.

(b) If Franchisor establishes an electronic portal, Franchisee will have the privilege to use the electronic portal, subject to Franchisee's strict compliance with the standards and specifications, protocols, and restrictions (collectively, "Franchisor Protocols") that Franchisor may establish from time to time. The Franchisor Protocols may relate to, among other things, (i) the use of abusive, slanderous, or otherwise offensive language in electronic communications, (ii) communications between or among Franchisees that endorse or encourage breach of any franchisee's franchise agreement, (iii) confidential treatment of materials that Franchisor transmits via the electronic portal, (iv) password protocols and other security precautions, (v) grounds and procedures for Franchisor's suspending or revoking a Franchisee's access to the electronic portal, and (vi) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the electronic portal. Franchisee acknowledges that, as administrator of the electronic portal, Franchisor can technically access and view any communication that any person posts on the electronic portal. Franchisee further acknowledges that the electronic portal and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

(c) Franchisee will establish and continually maintain (during all times that the electronic portal is established and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Manuals) with the electronic portal that allows Franchisor to send messages to and receive messages from Franchisees, subject to the Franchisor Protocols.

(d) If Franchisee breaches this Agreement or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate Franchisee's access to the electronic portal without Franchisor having any liability to Franchisee.

### **8.18 Change in Status Processing**

Requests for (i) change of fictitious business name, (ii) changes in designated Manager or (iii) other changes in status as may be specified from time to time by Franchisor, will be made on the form as designated by Franchisor in the Manuals.

### **8.19 Vendor Allowances**

Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, commissions, credits, monies, payments or benefits (collectively, "Allowances") offered by vendors to Franchisor or its Affiliates based upon Franchisee's (and other franchisees') purchases of Approved Products and other goods and services. Franchisee acknowledges that such Allowances are additional consideration for the rights granted by Franchisor to Franchisee under this Agreement and that Franchisor has exclusive right, title and interest in and to any and all such Allowances. Franchisee further acknowledges that Franchisor is entitled to collect, retain and utilize any or all such Allowances without restriction (unless otherwise instructed by the vendor).

### **8.20 Privacy**

(a) With regards to Privacy Information (defined below) Franchisee and Franchisor must comply with their obligations under applicable Privacy Law. "Privacy Information" means all information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household. Privacy Information includes but is not limited to, the following if it identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household: identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver's license or state identification card number, passport number, signature, physical characteristics or description, telephone number, insurance policy number, bank account number, credit card number, debit card number or any other financial information, medical information or health insurance information; characteristics of protected classifications under state or federal law; commercial information, including records of personal property, products or services purchased, obtained or considered, or other purchasing or consuming histories or tendencies; biometric information; Internet or other electronic network activity information including, but not limited to, browsing history, search history, and information regarding a consumer's interaction with an Internet Web site, application, or advertisement; geolocation data; audio or electronic information; professional or employment-related information; education information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (20 USC § 1232g; 34 CFR Part 99); and inferences drawn from any of the information

identified in this Sub-section to create a profile about a consumer reflecting the consumer's preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities and aptitudes. "Personal Information" does not include publicly available information that is lawfully made available to the general public from federal, state or local government records. "Publicly available" does not mean biometric information collected by a business about a consumer without the consumer's knowledge. "Privacy Law" means any local, state or federal data privacy or data security law or regulation.

(b) Use of Privacy Information. In no circumstances shall Franchisee or Franchisor ever sell the Privacy Information. Franchisee further agrees not to access, use or process the Privacy Information, except in the furtherance of its rights and obligations under this Agreement but at all times in compliance with Privacy Law. Franchisee shall be solely liable for any and all violations of Privacy Law that may arise from its failure to comply with this provision.

(c) Privacy Information Requests. To the extent Franchisor does not have the ability to address requests made under applicable Privacy Law by individuals that are the subject of any of the Privacy Information, Franchisee shall, upon Franchisor's request, provide reasonable assistance to Franchisor in responding to such requests.

(d) Audits. During the term of this Agreement, at Franchisor's request and subject to reasonable notice, Franchisee shall provide Franchisor with information sufficient to establish its compliance with the obligations set forth in this Section 8.20 and the applicable Privacy Laws.

## **8.21 PCI DSS Compliance**

You must comply with the Payment Card Industry Data Security Standards (PCI DSS) as these standards may be revised and modified by the Payment Card Industry Security Standards Council (PCISSC) or such successor replacement organization, and/or in accordance with other standards as we may specify. In addition, you must submit annually to us a fully completed copy of your PCI Attestation of Compliance on the then-current PCISSC form or such successor or replacement form(s) and/or processes.

## **8.22 Nondisclosure and Confidentiality**

Franchisee acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Marks or any matters dealt within the Manuals. Franchisee also acknowledges that all disclosures made to Franchisee relating to the System, including, without limitation, the specifications, standards, procedures and the entire contents of the Manuals, are communicated to Franchisee solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, Franchisee agrees to maintain the confidentiality of all such information during the term of this Agreement and at any time thereafter and may not disclose any portions of the Manuals or any information whatsoever with respect to Franchisee's or Franchisor's business affairs or the System, other than as may be required

to enable Franchisee to conduct its business. Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in advance in writing by Franchisor.

## **9. ASSIGNMENT**

### **9.1 Assignment by Franchisor**

Franchisor may Transfer this Agreement, or all or any part of its rights, privileges, and obligations under this Agreement, to any other person, provided that, in respect to any Transfer resulting in the subsequent performance by the assignee of the functions of the Franchisor: (i) at the time Franchisor Transfers this Agreement, Franchisor reasonably believes that the transferee is financially responsible and economically capable of performing the delegated obligations of Franchisor; and (ii) the transferee of Franchisor expressly assumes and agrees to perform the obligations. Following the Transfer by Franchisor, Franchisor will be relieved of all obligations or liabilities then existing or thereafter able to be asserted under this Agreement.

### **9.2 Assignment by Franchisee**

This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee (if Franchisee is an individual) or the people who directly or indirectly Control Franchisee or directly or indirectly own (in this context, an "Equity Holder") a beneficial interest in Franchisee (if Franchisee is person other than an individual), and the trust and confidence reposed by Franchisor in Franchisee and its Equity Holders. Franchisee and its Equity Holders each covenant to actively and substantially participate in the ownership and operation of the Franchised Business.

(a) Without the prior written consent of Franchisor and subject to Franchisor's right of first refusal provided for in Section 9.3, neither Franchisee nor any Equity Holder may Transfer any interest in Franchisee, this Agreement, or all or substantially all of the assets of Franchisee used in connection with the Franchised Business. As further clarification of the foregoing restrictions, Franchisee may not sub-franchise or attempt to sub-franchise this Agreement, or a portion but not all of Franchisee's rights under this Agreement, without the express prior written permission of Franchisor. Any Transfer or purported Transfer in violation of this Section will be void.

(b) Franchisor may withhold its consent to a sub-licensing of all or part of Franchisee's interest in the Agreement for any reason whatsoever in Franchisor's sole discretion. If Franchisee or any of its owners proposes to make any other form of Transfer, and if Franchisor elects not to exercise its right of first refusal (or if the right of first refusal is not applicable to the proposed Transfer, as provided in this Agreement), Franchisor may withhold or condition Franchisor's consent to any Transfer, as Franchisor deems appropriate, based on the circumstances of the Transfer or otherwise. If Franchisor believes that the terms and conditions of any Transfer would not be in the best interests of the Franchisor, the proposed transferee or the AUSSIE PET MOBILE<sup>®</sup> System, Franchisor may refuse to consent to such Transfer. Without limitation, Franchisor may consider the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the Marks, the System, or Franchisor, or any of Franchisor's Affiliates. Additionally, it will not be unreasonable for

Franchisor to impose, among other things, the following conditions precedent to its consent to any Transfer:

- (i) The proposed assignee of the interest to be subjected to the Transfer will complete Franchisor's application for a franchise agreement, and Franchisee and the proposed assignee will fully disclose in writing all of the terms and conditions of the proposed Transfer.
- (ii) The proposed assignee(s) of the interest to be subjected to the Transfer demonstrate(s) that it has or they have the skills, qualifications, and economic resources necessary, in Franchisor's reasonable judgment, to conduct the business contemplated by this Agreement. Among other things, this may require the possession of certain skills and qualifications of the prospective transferee, including experience in or ability to learn the light environmental business, financial and operational skills and qualifications, economic resources, reputation and character of the prospective transferees, and the ability of the prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement. Without limiting the generality of the foregoing, if a contractor's license is required in the state in which the Protected Territory is located, the proposed assignee or one or more of the principal officers, shareholders or directors of the proposed assignee must qualify for, and obtain, or otherwise obtain for the benefit of the Franchised Business such as through an employee of Franchisee, such contractor's license prior to the effective date of the Transfer.
- (iii) The proposed assignee of the interest to be subjected to the Transfer expressly assumes in writing for the benefit of Franchisor all of the obligations of Franchisee under this Agreement.
- (iv) If the proposed Transfer will result in a new Franchisee under this Agreement, the new Franchisee signs the then current form of Franchise Agreement being used by Franchisor and pays the then current initial franchise fee under the franchise agreement.
- (v) As of the date of the proposed Transfer, Franchisee is in full compliance with all of its obligations to Franchisor, whether under this Agreement or under any other agreement, arrangement, or understanding with Franchisor and pays the then-current initial franchise fee under the franchise agreement.
- (vi) Franchisee, assignee and each shareholder of a corporate assignee sign the then current form of Consent to Transfer and Assumption of



Franchise Agreement.

- (vii) Franchisee pays to Franchisor a non-refundable transfer fee equal to the amount then being charged by Franchisor. In addition, if the proposed assignee of the interest to be subjected to the Transfer was already in Franchisor's lead database at the time of first contact between Franchisee (or its Equity Holder) and the proposed assignee, then Franchisor may require Franchisee to pay the referral fee then being charged by Franchisor plus the amount of any broker fees that Franchisor must pay a third-party (not an employee of Franchisor).

(c) If Franchisee is not an individual, Franchisee will provide Franchisor at the Effective Date with a copy of Franchisee's governing documents (such as articles of incorporation, bylaws, operating agreement, or partnership agreement) and all other agreements among the Equity Holders (such as buy/sell agreements). If Franchisee is a corporation or other entity that issues capital stock, Franchisee will provide Franchisor at the Effective Date with a prototype stock certificate. As a condition to entering into the Franchise Agreement, a Franchisee that issues capital stock will be required to place the following legend on all stock certificates:

**"The transfer of this stock is subject to the terms and conditions of that certain Franchise Agreement dated \_\_\_\_\_ between this corporation and AUSSIE PET MOBILE, INC. Reference is made to that Franchise Agreement and the restrictive provisions contained in them and as may be otherwise described in the Articles of Incorporation and by-laws of this corporation."**

(d) The cumulative Transfer in any 12 consecutive month period of 25% or more of the ownership interests or voting power in Franchisee will be considered to be a Transfer for purposes of this Article 9.

### **9.3 Right of First Refusal**

Except as provided in Sections 9.4, 9.5, and 9.6, the right of Franchisee or its Equity Holders to Transfer any interest in this Franchise Agreement will be subject to Franchisor's right of first refusal with respect thereto. Franchisor may exercise the right of first refusal in the following manner:

(a) Franchisee will deliver to Franchisor a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Assignment by Franchisee; and (ii) all available information concerning the proposed assignee of the interest proposed to be subject to a Transfer.

(b) Within ten days after Franchisor's receipt of the notice (or if Franchisor requests additional information, within ten days after receipt of the additional information), Franchisor may either consent or withhold its consent to the Transfer, in accordance with Section 9.2 or, at its option, may accept the Transfer itself or on behalf of its nominee upon the terms and conditions specified in the notice.

(c) If Franchisor elects not to exercise the right of first refusal and consents to the Transfer, Franchisee will for a period of 90 days, and subject to the provisions of Section 9.2, be free to complete the proposed Transfer upon the terms and conditions specified in the notice. If, however, the terms are materially changed, or if the 90-day period expires, Franchisor will again have the right of first refusal with respect to the offer and Franchisee will again be required to comply with Section 9.3(a) above.

#### **9.4 Transfers to Family Members**

An individual Franchisee or an Equity Holder, may with Franchisor's consent, which will not be unreasonably withheld, Transfer the Franchised Business or an equity interest in Franchisee to the person's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement.

#### **9.5 Transfers to Affiliated People**

Franchisee or an Equity Holder may, without the consent of Franchisor, upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a person (other than an individual) entirely owned by natural person(s) making the Transfer in the same proportionate amount of ownership as before the Transfer, provided that adequate provision is made for the management of the Franchised Business and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer fee will be payable in respect of a Transfer under this Section.

#### **9.6 Transfers Upon Death or Incapacity**

In spite of any of the foregoing, upon the death or legal incapacity of Franchisee or an Equity Holder that is an individual, the person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with the person's will or, if the person dies intestate, in accordance with laws of intestacy governing the distribution of the person's estate, provided that adequate provision is made for the management of the Franchised Business and the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants. A Transfer under this Section will be free from Franchisor's right of first refusal provided in Section 9.3, and no transfer fee will be payable in respect of a Transfer pursuant to this Section. Any subsequent Transfer will be subject to all provisions of this Article 9.

If Franchisor determines, in its reasonable judgment, that the heirs, personal representatives, or conservators, as applicable, are not capable of operating the Franchised Business, Franchisor may immediately begin operating the Franchised Business on behalf of Franchisee pending a Transfer to a qualified buyer. For this management assistance, Franchisor may charge Franchisee a fee equal to 8% of the Gross Revenues during Franchisor's operation of the Franchise and the wages or salary for an interim Manager.

## **10. DEFAULT AND TERMINATION**

### **10.1 General**

(a) Franchisor may unilaterally terminate this Agreement upon Franchisee's material breach of this Agreement or upon the occurrence of any of the conditions listed in Section 10.2. The listing in Section 10.2 of some conditions as constituting specific grounds for termination does not imply that other material breaches of this Agreement are not also good cause for termination, even though some of the conditions listed in Section 10.2 parallel obligations of Franchisee described elsewhere in this Agreement. Franchisor will exercise its right to terminate this Agreement in the manner described in this Article 10.

(b) In spite of anything contained in this Agreement to the contrary, in those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion, offer to Franchisee an alternative remedy to termination of this Agreement. If Franchisee declines Franchisor's alternative offer, Franchisor may proceed to terminate this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, in those circumstances under which Franchisor may terminate this Agreement for Franchisee's default, Franchisor may exercise all remedies available to it at law or in equity, including seeking specific performance and damages (including direct, indirect, special, incidental, or consequential damages). All rights and remedies provided in this Agreement are in addition to and not in substitution of the rights and remedies available to a party at law or in equity.

### **10.2 Termination Without Opportunity to Cure**

The obligations of Franchisor under this Agreement are contingent upon the non-occurrence of each of the conditions described below. Franchisor may terminate this Agreement immediately upon notice to Franchisee, without prior opportunity to cure, upon the occurrence of any of the following conditions, each of which constitutes grounds for immediate termination of this Agreement without notice or opportunity to cure (except as specifically stated in these conditions):

(a) To the extent permitted by law, if Franchisee or the Franchised Business is declared bankrupt or judicially determined to be insolvent, or if all or a substantial part of the assets used by Franchisee in connection with the Franchised Business are assigned to or for the benefit of any creditor, or if Franchisee admits Franchisee's inability to pay its debts as they come due.

(b) If Franchisee Abandons the Franchised Business. The term "Abandon" means failure to operate the Franchised Business for a period of seven consecutive days (without Franchisor's prior written consent) during a time that Franchisee is required to operate the Franchised Business under the terms of this Agreement, or any shorter period under which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business. A repeated pattern of failure to operate the Franchised Business for periods of less than seven consecutive days may result in the Franchised Business being considered Abandoned if in the judgment of Franchisor the closure adversely impacts the Franchised Business. The Franchised Business will not be considered Abandoned if the failure to operate is due to acts of God or other

matters beyond the control of Franchisee (other than Franchisee's inability to procure money), provided that Franchisee gives notice of any cessation of operations to Franchisor promptly after the initial occurrence of the event resulting in the cessation of operations (and in any event within ten days) and Franchisor acknowledges in writing that the cessation of operations is due to one of the foregoing causes and provided further that Franchisee re-establishes the Franchised Business and is fully operational within 120 days after the initial occurrence of the event resulting in the cessation of operations or any longer period that Franchisor permits.

(c) If Franchisor and Franchisee agree in writing to terminate this Agreement.

(d) If Franchisor discovers that Franchisee made any material misrepresentations relating to the acquisition of the Franchised Business, or if Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks.

(e) If Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business.

(f) If Franchisee, after curing any breach in accordance with Section 10.3 commits the same breach, whether or not the breach is corrected after notice.

(g) If Franchisee repeatedly fails to comply with one or more requirements of this Agreement, whether or not corrected after notice.

(h) If the Franchised Business or business premises of the Franchisee are seized, taken over, or foreclosed by a government official in the exercise of the official's duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, if a final judgment against Franchisee for more than \$10,000 remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed), or if a levy of signing has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days after the date of the levy.

(i) If Franchisee is convicted of a felony, of a misdemeanor involving moral turpitude, or of other criminal misconduct which is relevant to the operation of the Franchised Business.

(j) If Franchisee fails to pay any Continuing Royalty or other amounts due to Franchisor within five days after receiving written notice that the fees are overdue.

(k) If Franchisor makes a reasonable determination that continued operation of the Franchised Business by Franchisee will result in an imminent danger to public health or safety.

(l) If any other franchise agreement between Franchisor and Franchisee is

terminated by Franchisor because of breach or default by Franchisee or failure of a condition to continued effect of the franchise agreement.

(m) If a repeated audit reveals repeated understatement of Gross Revenues by 5% or more as stated in Section 8.11(c).

### **10.3 Termination Subject to Opportunity to Cure**

Except for failure of the conditions listed in Section 10.2, above, or as otherwise expressly provided in this Agreement, Franchisee will have 30 days after Franchisor's written notice within which to cure any breach of this Agreement, and to provide evidence of the cure to Franchisor. If any default is not cured within that time period, or any longer time period that applicable law requires or that Franchisor specifies in the written notice, this Agreement and all rights granted by it will thereupon automatically terminate without further notice or opportunity to cure.

### **10.4 Description of Default**

The description of any breach, default, or failure of a condition in any notice served by Franchisor upon Franchisee will in no way preclude Franchisor from specifying additional or supplemental breaches, defaults, or failures of conditions (including matters discovered after the termination is effective) in any action, arbitration, mediation, hearing, or suit relating to this Agreement or the termination of this Agreement.

### **10.5 Statutory Limitations**

In spite of anything to the contrary in this Article 10, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties limits Franchisor's right to terminate this Agreement or requires longer notice periods than those stated in this Agreement, and if the parties are prohibited by law from agreeing to the shorter periods stated in this Agreement, then Franchisor will conform to the requirements of those laws and regulations, but only to the extent necessary to bring Franchisor's actions within the requirements of the law or regulation.

### **10.6 Alternative Remedies**

In those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion: (a) redirect customer leads generated by Franchisor on Franchisee's behalf to other franchisees as contemplated in Sections 2.2 and 8.15(e); and/or (b) grant to Franchisee, in lieu of immediate termination of this Agreement, (i) an extended period of time (not to exceed six months from the last day of the cure period otherwise applicable to the breach) to cure the breach which gave rise to Franchisor's right to terminate, (ii) an option to reimburse Franchisor up to \$1,000 for investigating the breach of this Agreement, or (iii) if the breach consists of the offer or sale of products or services in the territory assigned to another franchisee of Franchisor, require Franchisee to pay, as liquidated damages, and not a penalty, an amount equal to 100% of the total gross sales generated by sales in the other franchisee's territory (which shall be used in Franchisor's discretion to reimburse the other franchisee for the value of the business diverted, including

lost goodwill, and to compensate Franchisor for its costs of investigating Franchisee's breach). Franchisee acknowledges that Franchisor's election to grant an extended cure period or to permit a reimbursement will not operate as a waiver of any of Franchisor's other rights under this Agreement.

### **10.7 Step In Rights**

In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights, Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines, in Franchisor's sole discretion that the default has been cured, and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of the Franchised Business including, without limitations, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Franchised Business.

## **11. DISPUTE RESOLUTION**

### **11.1 Alternate Dispute Resolution**

Except for the disputes described in Section 11.2 of this Agreement and except as otherwise specifically modified by this Article 11, any dispute between Franchisor and any of its Affiliates, on the one hand, and Franchisee and any of its Affiliates, on the other, arising out of, relating to or referencing this Agreement or its breach in any way, including any claim sounding in tort arising out of the relationship created by this Agreement, and any claim that this Agreement or any other of its parts is invalid, illegal, or otherwise voidable or void, is subject to the dispute resolution provisions described in this Article 11.

### **11.2 Disputes Not Subject To Alternate Dispute Resolution**

Franchisee acknowledges that it is important that Franchisor be able to use reasonable efforts to protect the Marks, the System, and the integrity of the Marks and the System. To that end, Franchisor may, at its option, seek injunctive or other equitable relief to enforce the provisions of Section 6 (Intellectual Property), Section 7.3 (Proprietary Materials), Section 8.14 (No Competing Businesses), or Section 12 (Franchisee's Obligations Following Termination or Expiration) of this Agreement, or the provisions of any separate confidentiality or non-disclosure agreement between Franchisor or its Affiliates (on the one hand) and Franchisee or its Affiliates (on the other hand) in the Court specified by Section 11.6.

### **11.3 Option to Mediate Dispute**

(a) In the event of a dispute between the parties, either party may initiate a mediation procedure in accordance with this Section 11.3 by making a written request for mediation with the Judicial Arbitration and Mediation Service (JAMS), the National Franchise Mediation Program administered by the CPR Center for Dispute Resolution of New York, or any other mediation service mutually agreed to by the parties. Any mediation will be conducted according to the procedures of the selected mediation service.

(b) The object of any mediation subject to this Section 11.3 is to assist the parties in reaching a mutually acceptable resolution of the dispute. The mediation will, in all circumstances, be consistent with the rights and obligations created by this Agreement and will not be premised on the derogation or diminution of those rights or disregard of those rights. The mediation process will begin promptly and be concluded expeditiously, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings, or other statements by the mediator and/or the parties made in connection with the mediation will be privileged and confidential and will not be admissible into evidence in any litigation or arbitration.

(c) All mediation proceedings will take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the mediator will be borne equally by Franchisor and Franchisee, and all other expenses relating to the mediation will be borne by the party incurring them.

### **11.4 Arbitration**

(a) Except disputes not subject to alternative dispute resolution as described in Section 11.2 above, any dispute between Franchisor or any of its Affiliates (on the one hand) and Franchisee or any of its Affiliates (on the other hand) arising out of or relating to this Agreement or its breach, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 11.3 above, will be resolved by submission to arbitration conducted by a single impartial arbitrator appointed by JAMS according to its Comprehensive Arbitration Rules and Procedures, or any other single impartial arbitrator mutually agreed to by the parties.

(b) All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Section 11.4 will be governed by the Federal Arbitration Act (9 U.S.C. 1 et seq.) and the federal common law of arbitration. All hearings and other proceedings will take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the arbitrator will be borne equally by Franchisor and Franchisee, and all other expenses relating to the arbitration will be borne by the party incurring them.

(c) This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the

party by default or otherwise in spite of the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final, and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are waived.

### **11.5 Business Judgment**

The parties recognize, and any arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) action in the exercise of its business judgment, based on its assessment of the overall best interests of all people operating under the Marks. Where that discretion has been exercised, and is supported by the business judgment of Franchisor, neither an arbitrator nor a judge may substitute his or her judgment for the judgment exercised by Franchisor unless the arbitrator or judge finds that Franchisor has exercised its judgment or discretion without any reasonable business basis for it. Whenever Franchisor has a right and/or the discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make that decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in the best interests of the System. Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, can be made without regard to whether:

- (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor;
- (b) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest;
- (c) Franchisor's decision or the action taken applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or Affiliate-owned operations; or
- (d) Franchisor's decision or the action taken is adverse to Franchisee's interests.

Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

### **11.6 Venue, Submission to Court, Limitation of Damages**

In view of the fact that the books, records and business personnel of Franchisor are located in Orange County, California and in order to minimize disruption or interference with operation of (and Franchisor's support to) all persons operating under the Marks, Franchisee and Franchisor agree as follows:

(a) All court proceedings arising out of or relating to this Agreement (including matters described in Section 11.2 above) will be brought in, and only in, the United States District Court for the Central District of California. No individual or entity (whether named



or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in, and only in, a state court of competent jurisdiction in and for Orange County, California. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

(b) The parties agree that all disputes submitted to the court under Section 11.2 will be tried to the court sitting without a jury, in spite of any state or federal constitutional or statutory rights or provisions.

(c) No punitive or exemplary damages will be awarded against either Franchisor or Franchisee, or any Affiliates of either of them, in any proceeding arising under Section 11.2, and all claims to punitive or exemplary damages are waived by both parties.

### **11.7 Independence of Provisions**

The provisions of this Article 11 are independent of any other covenant or provision of this Agreement. If any part of this Article 11 is held to be indefinite, invalid, unconscionable, or otherwise unenforceable by a court of competent jurisdiction, the indefinite, invalid, unconscionable, or unenforceable provision will be considered deleted, and the remaining parts of this Article 11 will continue in full force and effect. If the court determines that deletion of portions of this Article 11 would lead to an unintelligible provision, the parties request the court to modify or interpret the provisions to the minimum extent necessary to have them comply with the law while retaining the essence of the parties' agreement.

## **12. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION**

### **12.1 Franchisor's Right to Purchase Customized Vehicle(s) and Installed Designated Equipment**

(a) Franchisor will have the option, exercisable by giving written notice thereof, to purchase from Franchisee each Customized Vehicle including the Designated Equipment previously installed within the Customized Vehicle(s) at fair market value determined in a manner consistent with reasonable depreciation. Fair market value shall not include any factor or increment for any goodwill or for the Hydrobath design and function, the Marks or any trademark, service mark or other commercial symbol used in connection with the Franchised Business, any goodwill, going concern value or any franchise rights. If Franchisor and Franchisee are unable to agree on the fair market value of the Customized Vehicle(s) or the Designated Equipment, then it will be determined by an independent appraiser mutually selected by Franchisor and Franchisee. If Franchisor and Franchisee are unable to mutually agree upon an independent appraiser, each of Franchisor and Franchisee shall appoint an appraiser who shall together select a third appraiser and the fair market value will be deemed to be the average of the three (3) independent appraisals. All sales, transfer and/or similar taxes are payable by Franchisee.

(b) The purchase price will be paid in cash within thirty (30) days after Franchisor's resale of the Customized Vehicle(s) and installed Designated Equipment to another AUSSIE PETMOBILE® franchisee. At closing of the purchase, Franchisee will deliver instruments transferring to Franchisor, its assignee or into an escrow: (1) clear title to the Customized Vehicle(s) and Designated Equipment (subject only to liens and security interests that will be discharged through escrow upon closing) and demonstrating that all sales, transfer and/or similar taxes are to be paid by Franchisee through escrow if Franchisor so requires; and (2) all licenses and permits of the Franchised Business that may be assigned or transferred. Franchisor will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee (or any Affiliate) to Franchisor or any Affiliate of Franchisor, and the amount of any encumbrances or liens against the Customized Vehicle(s) and/or the Designated Equipment or any obligations assumed by Franchisor.

(c) Franchisor may assign its rights under this Section 12.1 to any person or entity of its choosing.

## **12.2 Franchisee's Obligations following Termination or Expiration**

(a) In the event of termination or expiration of this Agreement, whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to any other obligations provided for in this Agreement, Franchisee will immediately discontinue the use and/or display in any manner of the Marks and all Materials containing or bearing the Marks. Franchisee will not thereafter operate or do business under the Marks or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor. In that event, Franchisee will not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements to any of them; or (ii) any forms, advertising matter, Marks, devices, insignias, slogans, or designs used from time to time in connection with the Franchised Business.

(b) Among the steps that Franchisee must take as a result of termination or expiration of this Agreement as described in Section 12.2(a) above, Franchisee will promptly take the following steps:

- (i) If Franchisor has not exercised its option to purchase the Customized Vehicle(s) under Section 12.1 and Franchisee has not sold its Customized Vehicle(s) to another AUSSIE PETMOBILE® franchisee, Franchisee will make the Customized Vehicle(s) available to Franchisor who will remove the Hydrobath and, provided the Hydrobath has been maintained in such a way that is economically capable of refurbishment and reuse, Franchisor will purchase the Hydrobath for fair market value as described in Section 12.1. For purposes of this Section 12.2(b)(i), a Hydrobath is no longer economically refurbishable and reusable after 5 years.

- (ii) Remove all remaining items of Designated Equipment and completely deidentify the Customized Vehicle. Franchisee may thereafter sell or, with the consent of Franchisee's financing lessor or lender, assign the financing arrangement for the deidentified Sprinter Van to any third party provided the assignee or purchaser shall not operate the Sprinter Van for the operation of a competing mobile pet grooming business.
- (iii) Remove at Franchisee's expense identifying Marks and all other signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor.
- (iv) Franchisee will erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor.
- (v) Franchisee will permanently discontinue all advertising to the effect that Franchisee is associated or affiliated with Franchisor.
- (vi) Franchisee will refrain from doing anything that might indicate that Franchisee is or ever was an authorized franchisee of the Marks or the System, including indicating, directly or indirectly, that Franchisee was licensed to use the Marks or any other distinctive System features or that Franchisee at any time operated under any name, word, or mark associated or affiliated with Franchisor.
- (vii) If Franchisee engages in any business thereafter, Franchisee will use trade names, Marks, or trademarks (if any) which are significantly different from the Marks and use sign formats (if any) which are significantly different in color and type face and take all necessary steps to ensure that its Affiliates observe the foregoing obligations.
- (viii) Immediately cease using the CRM System and the Manuals, and return all Proprietary Materials and confidential information, including, without limitation, all customer lists and data, within ten (10) calendar days and immediately and permanently cease use of such information and materials.
- (ix) Immediately cease using all telephone and facsimile numbers and listings, as well as any permitted domain names and/or social media pages used in connection with the operation of the Franchised Business (collectively, the "Assigned Property"), and direct the telephone company and/or domain name registrar to transfer all such Assigned Property to Franchisor or Franchisor's designee pursuant to the Conditional Assignment of Telephone Numbers and Domain

Name in Franchisor's standard form, and transfer all usernames and passwords for all social media pages to Franchisor.

(x) Immediately vacate the Franchised Business premises, if any.

(c) If Franchisee fails to make or cause to be made any removal or change described in Section 12.2(b) above, then Franchisor may, after 15 days written notice, enter upon Franchisee's premises upon which the Franchised Business was being conducted without being considered guilty of trespass or any other tort, and make or cause to be made the required changes at the expense of Franchisee, which expense Franchisee agrees to pay Franchisor promptly upon demand. Franchisee irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the purpose of terminating any and all of Franchisee's rights in the fictitious business name and any of the Marks.

## 12.2 Option to Purchase

(a) Exercise of Option. Upon expiration or Franchisor's termination of this Agreement in accordance with its terms and conditions, Franchisor has the option, exercisable by giving written notice to Franchisee within 60 days from the date of such expiration or termination, to purchase the Franchised Business from Franchisee. The date on which Franchisor notifies Franchisee whether or not Franchisor is exercising its option is referred to in this Agreement as the "**Notification Date**". Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with its asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

(b) Purchase Price. The purchase price for the Franchised Business will be its fair market value, determined in a manner consistent with reasonable depreciation of the equipment, signs, inventory, materials and supplies provided that the Franchised Business will be valued as an independent business and its value will not include any value for:

- (i) the grant of the franchise or any other rights granted by this Agreement;
- (ii) the Marks; or
- (iii) participation in the network of AUSSIE PET MOBILE<sup>®</sup> franchised businesses.

The fair market value will include the goodwill Franchisee developed in the Protected Territory of the Franchised Business that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Office Site will also be considered in determining the fair market value.

Franchisor may exclude from the assets purchased cash or its equivalent and any

equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Franchised Business operation or that Franchisor has not approved as meeting System standards, and the purchase price will reflect such exclusions.

The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. Franchisor has the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts Franchisee or its owners owe to Franchisor. At the closing, Franchisee agrees to deliver instruments transferring to Franchisor the following:

- (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by Franchisee; and
- (ii) Customer list, all licenses and permits of the Franchised Business which may be assigned or transferred.

If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. Franchisee and its owners further agree to execute general releases, in the form attached to the Franchise Disclosure Document, of any and all claims against Franchisor and its shareholders, officers, directors, employees, agents, successors and assigns.

### **12.3 Damages, Costs, and Expenses**

In the event of termination for any default by Franchisee, Franchisee shall promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Franchised Business.

### **12.4 Rights of Franchisor**

The expiration or termination of this Agreement will be without prejudice to any rights of Franchisor against Franchisee and the expiration or termination will not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee which, by their nature, survive the expiration or termination of this Agreement.

### **12.5 Franchisor's Right to Cure Defaults by Franchisee**

In addition to all other remedies granted by this Agreement, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to Franchisee, cure the default for the account of and on behalf of Franchisee,

and all costs or expenses (including attorney fees) incurred by Franchisor on account of curing the default will be due and payable by Franchisee to Franchisor on demand.

## **12.6 Waiver and Delay**

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal, or neglect of Franchisor either to exercise any right, power, or option given to it under this Agreement or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Manuals, will constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent breach of the same or any other provision of this Agreement or the Manuals, or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions of this Agreement or the Manuals.

## **12.7 Transactional and Consumer Data**

Upon the termination or expiration of this Agreement, all transactional and consumer data is the property of and is exclusively owned by Franchisor. Franchisee forfeits all rights, privileges and benefits to transactional and consumer data.

## **12.8 Attorney Fees and Expenses**

In the event of any arbitration (including any petition for confirmation, modification, or vacation of the award) or litigation (including appeals) arising out of or relating to this Agreement, the breach or alleged breach of this Agreement, or the relationship of the parties, then the prevailing party will be reimbursed by the losing party for all costs and expenses incurred in connection with them, including reasonable attorney fees for the services rendered to the prevailing party.

# **13. GENERAL CONDITIONS AND PROVISIONS**

## **13.1 Relationship of Franchisee to Franchisor**

The parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner, fiduciary, or co-venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner, or co-venturer of Franchisor. **All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be considered employees or agents of Franchisor, nor subject to Franchisor's control, and in particular, Franchisor will have no authority to exercise control over the hiring or termination of employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or the day-to-day activities of those people, except to the extent necessary to protect the Marks.** Franchisee

agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Each of the parties agrees to file its own tax, regulatory, and payroll reports with respect to its respective employees or agents and operations, and to indemnify the other party against any liability by virtue of the tax, regulatory, and payroll reports filed by the party.

### **13.2 No Liability**

Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage suffered by any person or property directly or indirectly arising out of Franchisee's operation of the Franchised Business. Franchisor will have no liability for Franchisee's obligations to pay third parties, including any landlords and product vendors.

### **13.3 Indemnity**

Except as otherwise expressly provided in Section 6.6, Franchisee agrees to defend, and indemnify Franchisor and its Affiliates and designees against all costs and expenses actually incurred by them or for which they are liable, including attorney fees, court costs, losses, liabilities, damages, claims and demands of every nature, and including those incurred under a settlement entered into in good faith, arising out of or in connection with the Franchised Business, including any claim or controversy arising out of (i) any Transfer by Franchisee referred to in Section 9.2, (ii) acts or omissions of Franchisee which are not in strict compliance with this Agreement and the Manuals, (iii) acts or omissions of Franchisee which tend to create an impression that the relationship between the parties is other than one of Franchisor and Franchisee, or (iv) any acts or omissions of Franchisee's employees. In spite of the foregoing, Franchisee will have no obligation to indemnify Franchisor, or its Affiliates or designees against costs or expenses arising from the conduct of Franchisor found to be willful, malicious or grossly negligent.

### **13.4 Survival of Covenants**

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable in spite of the expiration or other termination of this Agreement.

### **13.5 Successors and Assigns**

This Agreement will be binding upon and benefit the successors and assigns of Franchisor and Franchisee and their respective heirs, executors, administrators, successors, and assigns, subject to the restrictions on Assignment by Franchisee contained in this Agreement.

### **13.6 Joint and Several Liability**

If Franchisee consists of more than one person, the obligation and liabilities to Franchisor of each person are joint and several.

### **13.7 Counterparts**

This Agreement may be signed in any number of copies, each of which will be considered to be an original, and all of which together will be considered to be one and the same instrument.

### **13.8 Notices**

(a) All notices which the parties may be required or may desire to give under or in connection with this Agreement will be in writing and will be sent either by certified mail, return receipt requested, postage prepaid, or by reliable overnight delivery service, addressed as follows:

(i) If to Franchisor, to:

AUSSIE PET MOBILE, INC.  
19000 MacArthur Blvd, Suite 100  
Irvine, CA 92612  
Attention: President

With a copy to:

HOME FRANCHISE CONCEPTS, LLC  
19000 MacArthur Boulevard, Suite 100  
Irvine, CA 92612  
Attention: General Counsel

(ii) If to Franchisee, to the attention of the Manager at the address indicated in Section 16.2(c).

(b) Notices sent in accordance with this Section 13.8 will be considered given three business days after deposit with the United States Postal Service or the next business day after deposit with a reliable overnight delivery service.

(c) The addresses given in this Agreement for notices may be changed at any time by either party by written notice given to the other party as provided in this Agreement. If the address to which notices are otherwise required to be given under this Section 13.8 is known or believed by the person giving notice no longer to be valid, notices will also be sent to the last known valid address of the party receiving the notice.

### **13.9 Franchisor's Discretion**

Whenever Franchisor has a right and/or the discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make that decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in the best interests of the System. Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made or Franchisor's right or discretion



is exercised, can be made without regard to whether: (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (b) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (c) Franchisor's decision or the action taken applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or Affiliate-owned operations; or (d) Franchisor's decision or the action taken is adverse to Franchisee's interests. Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

## **14. CONSTRUCTION OF AGREEMENT**

### **14.1 Governing Law**

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non-competition provisions. Except as otherwise provided in Article 11 and this Section, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of California. Franchisee waives, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state in which the Protected Territory is located.

### **14.2 Entire Agreement**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related Agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document.

### **14.3 Modification**

This Agreement cannot be modified or changed except by (i) written instrument signed by all of the parties, or (ii) by Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent and which will be effective immediately upon notice.

#### **14.4 Titles for Convenience Only**

Section titles used in this Agreement are for convenience only and will not be considered to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

#### **14.5 Gender**

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section may require.

#### **14.6 Severability**

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Manuals and any present or future statute, law, ordinance, regulation, or judicial decision, contrary to which the parties have no legal right to contract, the statute, law, ordinance, regulation, or judicial decision will prevail, but in that event the provision of this Agreement or the Manuals thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, Section, sentence, or clause of this Agreement or the Manuals is held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be considered deleted, and the remaining parts will continue in full force and effect, unless the provision pertains to the payment of fees under Section 4, in which case this Agreement will terminate.

#### **14.7 No Third Party Beneficiaries**

This Agreement is not intended to benefit any other person except the named parties. No other person may claim any rights under this Agreement by virtue of so-called "third party beneficiary rights" or otherwise.

#### **14.8 Examples Not Exclusive**

The verb "to include" (in all its tenses and variations, such as "including") is always used in a non-exclusive sense (as if followed by one of the phrases "without limitation" or "but not limited to"). The failure to list a particular example after a variation of the word "including" is not to be construed as an indication that the example is excluded.

#### **14.9 "Person" Inclusive**

The term "person" means all forms of juridical persons, including individuals, partnerships, corporations, trusts, unincorporated associations, and governmental entities.

## **15. SUBMISSION OF AGREEMENT**

The submission of this Agreement to Franchisee does not constitute an offer, and this Agreement will become effective only upon the signing of this Agreement by both Franchisor and Franchisee. This Agreement will not be binding on Franchisor unless and until it has been accepted and signed by the President or other executive officer of Franchisor. This Agreement may not become effective until and unless Franchisee has been furnished by Franchisor with any disclosure, in written form, required under or according to applicable law.

## **16. ACKNOWLEDGMENTS AND REPRESENTATIONS**

### **16.1 Certain Acknowledgments and Representations of Franchisee**

(a) If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Protected Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

(b) Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals. Franchisee represents that it has the capabilities, professionally, financially, and otherwise, to comply with the standards of Franchisor.

(c) If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Protected Territory.

(d) The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(e) Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

(f) Franchisee has (or if Franchisee is not an individual, Franchisee's principals have) carefully read this Agreement and all other related documents to be signed by Franchisee concurrently or in conjunction with the signing of this Agreement. Franchisee has had the opportunity to obtain the advice of legal counsel in connection with the signing and delivery of this Agreement, understands the nature of this Agreement, and intends to comply with this Agreement and to be bound by this Agreement.

(g) The formation of this Agreement and the disclosures made in connection with the relationship described in this Agreement are governed in part by the franchise relations acts, the franchise investment laws, the franchise disclosure laws and the regulations promulgated under those laws and regulations in the states in which Franchisor and its

franchisees do or intend to do business. Those laws, regulations, and disclosure requirements have been implemented for the protection and benefit of franchisees and prospective franchisees. Franchisee acknowledges that it has been advised to obtain legal advice and counsel to evaluate the opportunity of becoming a franchisee of Franchisor and the benefits and duties of this Agreement. Franchisee acknowledges that it has chosen to enter into this Agreement solely based upon its independent judgment as to its needs at a time when other franchise and franchise opportunities were available. No promises or assurances have been made by Franchisor other than as explicitly stated in this Agreement.

## **16.2 Additional Information Respecting Franchisee**

(a) Attached as Schedule 4 is a schedule containing complete information respecting the owners, partners, members, officers, and directors, as the case may be, of Franchisee.

(b) Unless otherwise disclosed to Franchisor in writing, Franchisee's financial and other records will be maintained at Franchisee's principal place of business.

(c) The name and business address of Franchisee's Manager is:

Franchisee will deliver, under Section 13.8, written notice of any change in this information after the Effective Date.

(d) Franchisee has delivered to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including (as appropriate) all partnership agreements, certificates of partnership, Articles or certificates of incorporation, by-laws, shareholder agreements, and operating agreements, as well as all amendments, side letters, and other items modifying any of those documents.

(e) The Term (as described in Section 5.1) of this Agreement expires on

\_\_\_\_\_.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be signed on or as of the dates indicated below:

**FRANCHISOR**

**FRANCHISEE**

**AUSSIE PET MOBILE, INC.**

\_\_\_\_\_  
(NAME)

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

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

Name:

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

Title:

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

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

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

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

## STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT

### 1. INTRODUCTION

This Addendum (“Addendum”) is effective on the same date as the Franchise Agreement (“Agreement”) to which it is attached. The parties to the Addendum are the parties to the Agreement. The purpose of this Addendum is to modify certain clauses of the standard Agreement to meet the requirements of regulatory agencies in particular states.

### 2. AGREEMENT

The parties agree as follows:

#### 2.1 California

The following provisions apply to you if your State is California:

The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to Franchisee concerning termination, transfer and nonrenewal of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to Franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.
- b. If Franchisee is required in the Franchise Agreement to execute a release of claims, such release will exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
- c. If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
- d. If the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Franchise Agreement, the covenant may be unenforceable under California law.
- e. If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.
- f. If the Franchise Agreement requires that it be governed by a state’s law, other than the

State of California, such requirement may be unenforceable.

g. If the Franchise Agreement requires an interest rate greater than 10% per annum (the highest amount allowed in California), such interest rate will be reduced to 10% per annum.

h. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

i. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

## **2.2 Hawaii**

The following provisions apply to you if you live in Hawaii or your business will be located in Hawaii:

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **2.3 Illinois**

1. Illinois law governs the relationship between the parties to the franchise.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

To the extent this Addendum shall be deemed to be inconsistent with any term or conditions of said Franchise Agreement or Exhibits or attachments thereto, the terms of the Illinois Franchise Disclosure Act as stated in this Addendum shall govern.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

See the last page of this Exhibit for your required signature.

## **2.4 Maryland**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Schedule 4 to the franchise agreement is amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any limitation on the period of time arbitration and/or litigation claims must be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Any general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The acknowledgments or representations of the franchisee made in the franchise agreement and questionnaire which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

To the extent this Rider shall be deemed to be inconsistent with any term or conditions of said Franchise Agreement or Exhibits or attachments thereto, the terms and conditions as stated in this Rider shall govern.

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of



(i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Section 16.1 of the Franchise Agreement shall hereby be amended as follows:

- (1) The last sentence of subsection (b) is deleted.
- (2) Subsection (f) is deleted.
- (3) The third and last sentences of subsection (g) are deleted.

## **2.5 Minnesota**

1. Section 14.1 of the Franchise Agreement is amended by the inclusion of the following:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.

2. Section 11 of the Franchise Agreement is supplemented by the inclusion of the following:

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the DISCLOSURE DOCUMENT or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. Section 11 of the Franchise Agreement is amended by the inclusion of the following:

Under Minn. Rule 2860.4400J, a franchisee cannot waive any rights, the franchisee cannot consent to the franchisor obtaining injunctive relief, although the franchisor may seek injunctive relief and a franchisee cannot be required to consent to waiver of a jury trial. In addition, a court will determine if a bind is required.

## **2.6 North Dakota**

Section 11.4 of the franchise agreement provides that the franchisee must agree to the arbitration or mediation of disputes in California. Section 11.4 of the franchise agreement is amended to delete any reference to the location of mediation or arbitration.

Section 11.6 of the franchise agreement provides that the franchisee must consent to the jurisdiction of courts in California. Section 11.6 of the franchise agreement is amended to replace "California" with "North Dakota".

Section 14.1 of the franchise agreement provides that the governing law of the franchise agreement is California. Section 14.1 of the franchise agreement is amended to replace “California” with “North Dakota”.

Section 11.6 of the franchise agreement includes a waiver of the right to a jury trial. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the disclosure document and franchise agreement.

Section 11.6 of the franchise agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchises and is deemed deleted in each place it appears in the disclosure document and franchise agreement.

Section 8.14 of the franchise agreement contains a post-term non-competition covenant. To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota.

## **2.7 Washington**

In lieu of an impound of franchise fees, the franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

The Franchisee Affirmations and Acknowledgements (Schedule 3 to the Franchise Agreement) do not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100 and the rules adopted thereunder.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Further, Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

#### **16.1 Certain Acknowledgments and Representations of Franchisee**

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals.

If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

The undersigned does hereby acknowledge receipt of this addendum.

### 3. INCORPORATION OF FRANCHISE AGREEMENT

The terms and conditions of the Agreement are incorporated into this Addendum by reference except to the extent that they conflict with the terms and conditions of this Addendum. If there is a conflict, the terms and conditions of this Addendum will govern.

IN WITNESS TO THE FOREGOING, the parties to this Addendum sign and deliver it.

**FRANCHISOR**

**FRANCHISEE**

**AUSSIE PET MOBILE, INC.**

\_\_\_\_\_  
(NAME)

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

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

Name:

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

Title:

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

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

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

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

**PERSONAL COVENANT AND GUARANTEE**

(To be signed by franchisee’s spouse, if any, and by all owners, if franchisee is a company.)

In return for the signing by Franchisor of this Franchise Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned covenant and agree as follows:

- A. The undersigned represent to Franchisor that the undersigned are all of the people having direct or indirect "Control" (as defined in the Franchise Agreement) or a direct or indirect beneficial ownership interest in Franchisee.
- B. The undersigned, individually and jointly, will (i) comply with and be bound by all provisions of the Franchise Agreement and any other agreement between Franchisor and Franchisee to the same extent as if each of them were the Franchisee, and (ii) not engage in any activities not permitted to the Franchisee under the Franchise Agreement (whether in their own behalf or in any capacity on behalf of any entity).
- C. Any controversy or claim arising out of this Personal Covenant and Guarantee, or any breach of it, will be submitted to mediation and arbitration in accordance with Section 11 of the Franchise Agreement.
- D. If any other people obtain direct or indirect Control of Franchisee or a direct or indirect beneficial interest in Franchisee, the undersigned will cause those people to sign and deliver to Franchisor a counterpart of this Personal Covenant and Guarantee.
- E. This Personal Covenant and Guarantee will be governed in accordance with the laws of the same state whose laws govern the Franchise Agreement.

\_\_\_\_\_  
Signature

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

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

\_\_\_\_\_  
Signature

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

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

## DESCRIPTION OF TERRITORY

The Territory franchised to Franchisee consists of the following ZIP Codes (as defined by the United States Postal Service):

---

The Territory is commonly identified as "AUSSIE PET MOBILE<sup>®</sup> of \_\_\_\_."

**SCHEDULE OF NAMES AND ADDRESSES OF OWNERS AND PRINCIPAL OFFICERS**

1. If the prospective franchisee is an individual (sole proprietor), list below the name and residence address of the Franchisee:

2. If the prospective franchisee is not an individual, list below the names, residence addresses, and respective percentage ownership interests of each person who owns a direct or indirect beneficial interest in the Franchisee (if more space is required, attached additional sheets):

a. _____	c. _____
_____	_____
_____ %	_____ %
b. _____	d. _____
_____	_____
_____ %	_____ %

3. If the prospective franchisee is not an individual, list the names, residence addresses, and respective titles of each individual who has or will have management authority with respect to Franchisee, including officers, directors, managers, and partners (if necessary, list other individuals on additional sheets attached):

a. Title: \_\_\_\_\_

c. Title: \_\_\_\_\_

b. Title: \_\_\_\_\_

d. Title: \_\_\_\_\_



## **DESIGNATED EQUIPMENT**

- Proprietary Hydrobath Bathing System with Custom Tub and Recirculating Bathing System
- Custom Designed and Proprietary Light Weight Steel, Rust Free Tub Cage and Component Framing
- 55-Gallon Fresh Water Tank System with Electronic Tank Level Sensors
- 55-Gallon Waste Water Tank System with Electronic Tank Level Sensors
- Low Amperage, Electricity Saving, Quick Recovery Electrical Water Heater
- C-Zone by Master Volt Customized Touchscreen Equipment Control & Monitor System
- GFI-Supported Electrical System with Water-Resistant Outlets and Switches
- Two (2) Master Volt 3,000-Watt Sine-Power Combination Inverter-Charger
- Two (2) Master Volt, No-Maintenance, Long Life, Lithium Sealed Programmable Batteries
- Customized Relay and Breaker system and Master Volt Battery Management System
- Custom Ducted Temperature Control System for Heat and Air Conditioning
- Plumbing System with Fully Adjustable Hot & Cold Water which Controls Water Temperature for Optimal Pet Comfort
- Grooming Table Safety Rated to 250 lbs.
- MDC Romani Clipper-Vac Haircut System with Proprietary Hair Removal System
- Powerful Forced-Air Drying System with In-Salon Variable Speed Control
- 12-Gauge Extension Charge Cord & Adapter
- 5-Gallon, Wet/Dry Shop-Vac System
- Salon and Equipment Area Custom, LED, Dimmable, Low-Voltage Lighting System
- Signage with Proprietary Logos, Marketing and Trademark Branding
- Easy Maintenance Pump & Filtration System featuring Twist II Clean Filters
- Heavy Duty, Equipment Storage Cabinet, D-Rings and Other Grooming Essentials
- Labor for Above

**EXHIBIT B**  
**FINANCIAL STATEMENTS**

# **Aussie Pet Mobile, Inc**

## **Consolidated Financial Statements**

As of and for the three months ended March 31, 2023

**UNAUDITED**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

# Aussie Pet Mobile, Inc

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**Aussie Pet Mobile, Inc**  
**Consolidated Balance Sheet**  
**UNAUDITED**

<i>March 31,</i>		<b>2023</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash (\$241,435 restricted)	\$	421,016
Accounts receivable, net of allowance for doubtful accounts of \$685		345,498
Current maturities of notes receivable, net of allowance for doubtful accounts of \$0		23,652
Prepaid expenses		456,636
Inventory		79,899
<b>Total current assets</b>		<b>1,326,701</b>
Notes receivable, net of current maturities and allowance for doubtful accounts of \$3,732, respectively		22,536
ROU asset		167,431
Other assets		62,897
Property and equipment, net		179,471
Deferred tax asset, net		250,056
<b>Total assets</b>		<b>\$ 2,009,092</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$	41,153
Deferred revenue		153,400
Advertising advances and deposits		259,229
Accrued liabilities		76,182
Lease liability, current		96,057
Deferred Taxes		50,646
<b>Total current liabilities</b>		<b>676,667</b>
Lease Liability, non-current		77,782
<b>Total liabilities</b>		<b>754,449</b>
<b>Equity</b>		<b>1,254,643</b>
<b>Total liabilities and equity</b>		<b>\$ 2,009,092</b>

**Aussie Pet Mobile, Inc**  
**Consolidated Statement of Operations**  
**UNAUDITED**

<i>For the three months ended March 31,</i>	<b>2023</b>
<b>Revenue</b>	
Initial franchise fees	\$ 119,900
Royalty income	571,169
Continuing franchise fees	328,800
Other sales	173,160
<b>Total revenue</b>	<b>1,193,029</b>
<b>Operating expenses</b>	
Selling and advertising	547,029
Operating and administrative	774,978
<b>Total operating expenses</b>	<b>1,322,007</b>
<b>Loss from operations</b>	<b>(128,978)</b>
<b>Other income</b>	
Interest Income	3,213
<b>Total other income</b>	<b>3,213</b>
<b>Net loss before income taxes</b>	<b>(128,978)</b>
Provision for income taxes	(50,646)
<b>Net loss</b>	<b>\$ (176,411)</b>

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# **Aussie Pet Mobile, Inc. and Subsidiary**

**Consolidated Financial Statements**

**As of and for the Year Ended  
December 31, 2023**



**Aussie Pet Mobile, Inc. and Subsidiary**  
**Index**  
**December 31, 2023**

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## Report of Independent Auditors

To the Management and Board of Directors of JM Family Enterprises, Inc.

### ***Opinion***

We have audited the accompanying consolidated financial statements of Aussie Pet Mobile, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, of stockholder's equity and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company 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 (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



**Aussie Pet Mobile, Inc. and Subsidiary**  
**Consolidated Balance Sheet**  
**December 31, 2023**

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**Assets**

Current assets	
Cash	\$ 1,009,048
Accounts receivable, net of allowance for doubtful accounts of \$6,978 for 2023	341,796
Current maturities of notes receivable, net of allowance for doubtful accounts of \$6,597 for 2023	90,598
Rebates receivable	15,700
Prepaid expenses	1,428,626
Total current assets	<u>2,885,768</u>
Notes receivable, net of current maturities and allowance for doubtful accounts of \$10,156 for 2023	397,908
Property and equipment, net	270,205
Deferred income taxes, net	238,256
Operating lease right-of-use asset	15,283
Intangible assets	101,433
Other assets	7,030
Total assets	<u>\$ 3,915,883</u>

**Liabilities and Stockholder's Equity**

Current liabilities	
Accounts payable	\$ 3,767
Accrued liabilities	63,613
Advertising advances and deposits	380,767
Deferred revenue	213,408
Operating lease liability, current	64,997
Due to Ultimate Parent	214,838
Total current liabilities	<u>941,390</u>
Operating lease liability, long-term	28,517
Total liabilities	<u>969,907</u>
Commitments and contingencies (Note 8)	
Stockholder's Equity	
Common stock, no par value, 8,850,000 shares authorized, 1,000 shares issued and outstanding at December 31, 2023	208
Additional paid-in capital	6,599,564
Accumulated deficit	(3,945,385)
Due to Parent	291,589
Total stockholder's equity	<u>2,945,976</u>
Total liabilities and stockholder's equity	<u>\$ 3,915,883</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2023**

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<b>Revenue</b>	
Product sales	\$ 2,638,122
Royalty income	2,311,863
Continuing franchise fees	1,294,290
Initial franchise fees	699,700
Gross sales rebates	34,805
Other sales	2,636
Total revenues	<u>6,981,416</u>
<b>Operating expenses</b>	
Cost of sales	2,252,063
Selling and advertising	1,681,037
Operating and administrative	3,330,162
Loss on disposal of assets	102,626
Other operating income	(1,125)
Total operating expenses	<u>7,364,763</u>
Loss from operations	<u>(383,347)</u>
<b>Other income (expense)</b>	
Interest income	17,474
Other expense, net	(136,481)
Total other expense	<u>(119,007)</u>
Net loss before income taxes	<u>(502,354)</u>
Benefit from income taxes	(114,905)
Net loss	<u>\$ (387,449)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Consolidated Statement of Stockholder's Equity**  
**Year Ended December 31, 2023**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Due to / (from) Parent</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balances at December 31, 2022</b>	1,000	\$ 208	\$ 6,599,564	\$ (4,161,522)	\$ (1,414,949)	\$ 1,023,301
Cumulative effect of change in accounting principle - private company election of initial franchise fees, net of tax	-	-	-	603,586	-	603,586
<b>Adjusted Balances at January 1, 2023</b>	1,000	208	6,599,564	(3,557,936)	(1,414,949)	1,626,887
Advances from Parent	-	-	-	-	509,862	509,862
Allocations from Parent	-	-	-	-	1,196,676	1,196,676
Net loss	-	-	-	(387,449)	-	(387,449)
<b>Balances at December 31, 2023</b>	1,000	\$ 208	\$ 6,599,564	\$ (3,945,385)	\$ 291,589	\$ 2,945,976

The accompanying notes are an integral part of these consolidated financial statements.

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2023**

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<b>Cash flows from operating activities:</b>	
Net loss	\$ (387,449)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	34,200
Noncash operating lease expense	88,204
Provision for bad debts	19,998
Loss on disposal of assets	15,750
Impairment of operating lease right-of-use asset	86,876
Decrease (increase) in assets:	
Accounts receivable, net	50,778
Notes receivable, net	(439,169)
Rebates receivable	(15,700)
Inventory	79,024
Prepaid expenses	(792,528)
Deferred income taxes, net	345,386
Increase (decrease) in liabilities:	
Accounts payable	(279,693)
Accrued liabilities	(17,065)
Advertising advances and deposits	151,682
Deferred revenue	(76,392)
Operating lease liability	(103,256)
Due to Ultimate Parent	(670,883)
Net cash used in operating activities	<u>(1,910,237)</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(134,178)
Net cash used in investing activities	<u>(134,178)</u>
<b>Cash flows from financing activities:</b>	
Advances from Parent	509,862
Allocations from Parent	1,196,676
Net cash provided by financing activities	<u>1,706,538</u>
Net decrease in cash	(337,877)
Cash at beginning of period	1,346,925
Cash at end of period	<u>\$ 1,009,048</u>
<b>Supplemental Cash Flow Information</b>	
Deferred incremental contract costs recognized upon change in accounting principle	\$ 1,016,464
Deferred revenue recognized upon change in accounting principle	1,897,492
Deferred income taxes, net recognized upon change in accounting principle	277,442

The accompanying notes are an integral part of these consolidated financial statements.

# **Aussie Pet Mobile, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2023**

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#### **1. The Company**

Aussie Pet Mobile, Inc. is a California corporation that was formed on February 22, 1999, and includes the operations of its wholly-owned subsidiary, Aussie Pet Mobile International, Inc. (collectively, the "Company"). The Company sells franchises under the Aussie Pet Mobile brand name to provide mobile pet grooming services. The Company is a wholly-owned subsidiary of Home Franchise Concepts, LLC ("HFC" or "Parent"). HFC is a wholly-owned subsidiary of JM Franchise Holdings, Inc. which is a wholly-owned subsidiary of JM Family Enterprises, Inc. ("Ultimate Parent"). On November 30, 2021, the Company was acquired by HFC.

As of December 31, 2023, the Company has 77 franchise territories, with 76 franchise territories operating in the United States and 1 franchise territory operating in the Kingdom of Saudi Arabia. During 2023, the company derived less than 1% of its total revenue from franchises operating in the Kingdom of Saudi Arabia.

#### **2. Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accounting Standards Codification ("ASC") 220 requires a separate statement of comprehensive income. However, as net income is the only material component of comprehensive income, the Company elected not to include a separate statement of comprehensive income because it would not be meaningful to the users of the financial statements.

##### ***Fiscal Year***

The Company has a calendar year ending annually on December 31.

##### ***Accounting Estimates***

The preparation of financial statements is in conformity with GAAP and requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Company estimates considered significant include the estimate of allowance for doubtful accounts related to accounts, notes and rebates receivable, and the allocation of the Parent's expenses to the Company.

The financial position of the Company as of December 31, 2023, and the results of its operations and cash flows for the year then ended may have differed had the Company not been affiliated with its Parent, specifically, the allocation of the operating costs by the Parent to the Company may have differed had the Company not been affiliated with its Parent. See Note 9.



# **Aussie Pet Mobile, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2023**

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#### **Significant Accounting Policies**

##### ***Fair Value Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under market conditions. Fair value measurements are categorized in three levels based on the types of significant inputs used, as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Observable inputs available at measurement date other than quote prices included in Level 1
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data

Our financial instruments consist of cash, accounts receivable, notes receivable and accounts payable. The fair values of cash, accounts receivable and accounts payable approximate their carrying amounts because of the short maturity of these items.

The Company's notes receivable approximates their fair value upon issuance as the interest on these instruments is tied to or approximates current market rates and are subsequently measured at amortized cost.

##### ***Cash***

The Company considers cash on hand, deposits in banks and short-term highly liquid investments as cash.

The Company maintains cash in United States bank accounts which are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 per depositor. As of December 31, 2023, the Company had \$759,048 of uninsured deposits in its deposit accounts with a United States bank. The Company has not experienced any depository losses and believes there is not significant credit risk exposure for our cash.

Our cash balance also contains \$383,342 related to advertising advances and deposits received from franchisees for the purpose of national advertising ("NAF"). The Company's policy is to designate these funds in separate bank accounts as the terms of the respective franchise agreements require us to spend the cash on advertising costs to benefit the franchisees.

##### ***Accounts Receivable, Net and Notes Receivable, Net***

Accounts receivables, net of the allowance for credit losses, represents the estimated net realizable value. Our primary accounts receivables are due from franchisees. Provisions for credit losses are recorded based on management's judgment regarding historical losses, specific customer circumstances and general economic conditions. Accounts receivables are written off when they are deemed uncollectible.

Notes receivable, net of allowance for credit losses, consist of loans made to certain franchisees typically for a purchase of initial or additional franchises (Note 3). Provisions for credit losses are recorded based on management's judgment regarding historical losses, specific customer circumstances and general economic conditions. At the point management determines balances are uncollectible, management will discontinue recognition of interest income related to financing receivables. Interest income on these notes is accrued using the simple interest method.

# Aussie Pet Mobile, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2023

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#### **Leases**

Operating lease right-of-use assets and related operating lease liabilities are recognized for the rights and obligations created at lease commencement by operating and finance leases with lease terms of more than 12 months. The lease term commences on the date the lessor makes the underlying asset or assets available, irrespective of when lease payments begin under the contract. When determining lease term at commencement, we consider both termination and renewal option periods available, and only include the period for which failure to renew the lease imposes a penalty on us in such an amount that renewal, or termination options, appear to be reasonably certain.

The operating lease liability is generally based on the present value of the lease payments, consisting of fixed costs and certain rent escalations, using our incremental borrowing rate applicable to the lease term. The operating lease right-of-use asset is generally based on the operating lease liability, adjusted for amounts related to other lease related assets and liabilities, typically including prepaid rent, landlord contributions as a reduction to the asset and favorable or unfavorable lease purchase price adjustments.

The Company elected the private-company election to use the risk-free treasury rate at the lease commencement date for the duration of the remaining lease term to discount the present value of the future minimum lease payments.

Operating lease right-of-use asset carrying amounts are assessed for impairment annually or when events or circumstances indicate that the carrying amount may not be recoverable. We monitor for events or changes in circumstances that require reassessment of lease classification. When a reassessment results in the re-measurement of an operating lease liability, a corresponding adjustment is made to the carrying amount of the operating lease right-of-use asset.

Variable lease costs, consisting primarily of property taxes, insurance, and maintenance expenses, are expensed as incurred in operating and administrative in the consolidated statement of operations and are not included in operating lease liabilities in the accompanying consolidated balance sheet.

Operating lease expenses are recognized on a straight-line basis over the lease term in operating and administrative in the consolidated statement of operations.

The Company's lease commitments include real estate leases that have been determined to be operating leases. Total operating lease expense was \$163,893 for the year ended December 31, 2023 and is included in operating and administrative expenses on the accompanying consolidated statement of operations. As described in Note 9, the Company is also allocated operating lease expense from its Parent related to corporate office and training facilities leases.

#### **Property and Equipment, Net**

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over their estimated useful lives as follows:

Furniture and equipment	3–5 years
Computer software	3–5 years
Computer equipment	3–5 years
Vehicles	5 years

Depreciation expense on property and equipment is included in general and administrative expenses in the accompanying consolidated statement of operations. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

## **Aussie Pet Mobile, Inc. and Subsidiary**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2023**

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The Company also capitalizes certain costs incurred in connection with developing or obtaining internal-use software. Capitalized software costs are included in "Property and equipment, net" on the accompanying consolidated balance sheet and are amortized over the remaining life of the service contract, typically three to five years. Software costs that do not meet the capitalization criteria are expensed.

#### ***Impairment of Long-Lived Assets***

The Company reviews the carrying amount of long-lived assets on an annual basis or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on discounted projected future operating cash flows of the Company over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk.

#### ***Advertising Advances and Deposits Liability***

The Company is responsible for national advertising for the brand as required by franchise agreements. When the collected advertising revenues have not been fully spent (revenue collected from franchisees exceeds cash payments for advertising costs), the Company accrues the difference required to be incurred as advertising advances and deposits in the accompanying consolidated balance sheet and selling and advertising expense in the accompanying consolidated statement of operations.

#### ***Stockholder's Equity***

The Company engages in various intercompany transactions with its Parent which are presented in the Due to Parent balance of Stockholder's Equity in the accompanying consolidated balance sheet. These transactions relate to cash transfer with the Parent, net of allocated costs.

#### ***Revenues***

*Change in Accounting Principle* – The Company adopted Accounting Standards Update ("ASU") 2021-02, *Franchisors – Revenue from Contracts with Customers – Private Company Accounting Alternative* ("ASU 2021-02"). ASU 2021-02 permits the Company to account for pre-opening services provided to a franchisee as distinct from the franchise license and to recognize the pre-opening services as a single performance obligation. Upon adoption, revenue and related expenses for pre-opening services provided to a franchisee are deferred until the franchisee and franchisee personnel complete their initial training. The Company adopted the standard as of January 1, 2023 using the retrospective method and applied it to all contracts. The cumulative adjustment recorded upon adoption of this guidance consisted of a reduction in deferred revenue of \$1,897,492, a reduction in deferred contract costs of \$1,016,464, a reduction in deferred income taxes, net of \$277,442 and an increase of \$603,586 in stockholder's equity

*Initial Franchise Fees* – consists of fees paid by franchisees at the start of the franchise or area development agreement, and renewal fees. Each of these fees are fixed and nonrefundable and are due at the time the agreement is entered into. As allowed by ASCAs allowed by Accounting Standards Codification ("ASC") 606 and ASC 952 for private companies, pre-opening services provided to a franchisee are distinct from the franchise license and are recognized as a single performance obligation. This performance obligation is considered complete and revenue recognized typically when the franchisee has completed their initial training which is normally within six months of entering into the agreement. A deferred revenue liability is recorded for deposits of initial franchise

## **Aussie Pet Mobile, Inc. and Subsidiary**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2023**

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fees that have not yet been recognized. For renewals of existing franchisees, the renewal fees are recognized upon execution of the renewal agreement.

Royalty Income – consists of sales-based variable royalty fees. The sales-based royalty fee is considered variable consideration and is recognized as such sales are earned by the franchisees upon completion of mobile grooming services. Therefore, royalty income is recognized in the same period the sales are generated. Sales-based fees qualify under the royalty constraint exception and do not require an estimate of future transaction price. In addition, there are royalty percentage de-escalation clauses whereby the royalty percentage amounts due are decreased if certain sales thresholds are obtained based on the franchise agreement.

Continuing Franchise Fees – consists of service fees and NAF fees paid by franchisees, as determined by the franchise agreement. The service fees relate to the performance obligations of providing monthly access to IT, support, phone, and other related services. These fees are typically fixed per the franchise agreements and do not have pre-determined escalation amounts. These fees are recognized monthly as the franchise utilizes the right to access the services.

The NAF fees relate to advertising advances and deposits received from franchisees for the purpose of providing national advertising for the benefit of the franchisees. These NAF fees are sales-based variable fees as specified in each franchisee's agreement and are recognized as revenue as such sales are earned by the franchisees upon completion of mobile grooming services. In addition, the franchise agreements allow the Company to retain a percentage of the NAF fees as compensation for its administration. During the year ended December 31, 2023, the Company recorded \$1,113,339 of NAF revenue in continuing franchise fees on the accompanying consolidated statement of operations.

Product Sales – consists of van conversion revenue. Franchisees purchase a specialized grooming van through the Company which facilitates ordering the required parts from certain vendors and coordinating the van conversion process. For these transactions, the Company is determined to be the principal and revenues are not presented net of costs.

Gross Sales Rebates – consists of vendor rebates based upon agreements the Company has negotiated with the vendors based on certain conditions of franchisee purchases. The Company's performance obligation for vendor rebates is satisfied upon the sale of a vendor's product to the Company's franchisees and revenue is recorded for the period based upon vendor sales information.

Other Sales – consists of other services outside of the contractual franchise fees, van conversion revenue and vendor rebate revenue. In the normal course of business the Company offers franchisees promissory notes primarily related to initial franchise fees. During the year ended December 31, 2023, the Company recorded \$2,468 of interest income on these promissory notes which is presented within this caption on the accompanying consolidated statement of operations.

#### ***Advertising***

The Company expenses the production costs for advertising the first time the advertising takes place. Advertising costs were \$256,425 for the year ended December 31, 2023 and are included in selling and advertising expenses on the accompanying consolidated statement of operations.

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023**

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***Income Taxes***

The Company is included in the consolidated federal income tax return filed by the Ultimate Parent and certain state consolidated and combined income tax returns. In addition, the Company files various state income tax returns on a separate company basis. The Company's provision for income taxes is computed on a separate company basis for financial reporting purposes and includes an allocation of a benefit by the Ultimate Parent for tax losses generated by the Company, if any, that are utilized by the consolidated group.

Deferred income taxes, net have been provided using the asset and liability method to reflect the effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. A valuation allowance has been recognized if it is more likely than not that the deferred tax assets will not be realized.

***Recent Accounting Pronouncements***

The Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), effective January 1, 2023. The standard introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses and will apply to trade and notes receivables. The adoption of ASU 2016-13 did not have a material impact on the Company's financial statements and no additional reserve was deemed necessary.

**3. Notes Receivable, Net**

Notes receivables are due from certain franchisees and are collateralized by the franchise territory or vans. The notes typically bear interest at rates ranging from 9% to 10% with original maturities ranging from two to five years. A summary of notes receivable principal maturities follows:

<b>Years Ending December 31,</b>	
2024	\$ 97,195
2025	112,235
2026	85,200
2027	90,278
2028	86,741
Thereafter	<u>33,610</u>
Notes receivable	505,259
Less: Allowance for doubtful accounts	<u>(16,753)</u>
Notes receivable, net of allowance for doubtful accounts	488,506
Less: Current maturities, net of allowance for doubtful accounts	<u>(90,598)</u>
Notes receivable, net of current maturities and allowance for doubtful accounts	<u>\$ 397,908</u>

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023**

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**4. Prepaid Expenses**

Prepaid expenses consist of the following as of December 31, 2023:

Prepaid van conversions	\$ 1,139,414
Prepaid commissions and broker fees	139,821
Software as a service costs	130,265
Other	<u>19,126</u>
Prepaid expenses	<u>\$ 1,428,626</u>

Prepaid van conversions represent costs incurred to create and convert pet grooming vans.

Prepaid commissions and broker fees represent specific costs paid for franchises sold that have not begun operations.

Software as a service costs represent amounts paid to third-parties for software licenses and subscriptions that amortize over the life of the respective agreements.

**5. Property and Equipment, Net**

Property and equipment, net consists of the following as of December 31, 2023:

Furniture and equipment	\$ 32,223
Computer software	23,540
Computer equipment	39,324
Vehicles	<u>113,145</u>
Property and equipment	208,232
Less: Accumulated depreciation	<u>(110,052)</u>
Property and equipment, net of accumulated depreciation	98,180
Development in progress	<u>172,025</u>
Property and equipment, net	<u>\$ 270,205</u>

Depreciation expense for the year ended December 31, 2023 was \$34,200 and is included in operating and administrative expenses on the accompanying consolidated statement of operations.

**6. Accrued Liabilities**

Accrued liabilities consist of the following as of December 31, 2023:

Accrued compensation	\$ 50,778
Accrued accounts payable	12,434
Other	<u>401</u>
Accrued liabilities	<u>\$ 63,613</u>

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023**

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**7. Income Taxes**

The components of the Benefit from income taxes for the year ended December 31, 2023 is as follows:

Current:		
Federal		\$ (254,734)
State		<u>(205,557)</u>
Current benefit from income taxes		<u>(460,291)</u>
Deferred:		
Federal		153,703
State		<u>191,683</u>
Deferred provision for income taxes		<u>345,386</u>
Benefit from income taxes		<u>\$ (114,905)</u>

Deferred income taxes, net reflect the net tax effect of temporary differences between financial statement carrying amounts and tax bases of assets and liabilities (primarily relating to prepaid expenses and net operating loss carryforwards). The Deferred income taxes, net balance attributable to the Company at December 31, 2023 was \$238,256. Any federal or state income tax payables or receivables are included in Due to Ultimate Parent.

The Company's effective tax rate was 22.9% for the year ended December 31, 2023. For the year, the differences between the effective tax rate and the United States federal income tax statutory rate are (i) current state and local taxes (2.2%); and (ii) provision to filed return adjustment and other adjustments (-0.3%).

The Company is periodically under federal or state audit for the consolidated and combined income tax returns. No material adjustments have been identified in connection with any ongoing audit. The Company is no longer subject to federal or, with few exceptions, state income tax audits for years before 2020.

The Company had no unrecognized tax benefits or related interest or penalties accrued at December 31, 2023.

**8. Commitments and Contingencies**

**Operating Leases**

The Company leases office space in California and Washington through April 2024 and September 2025, respectively, and both are considered operating leases. Both leases provide for a base monthly rent that escalates annually over the term of the lease. During 2023, the Company reserved \$86,876 of the operating lease right-of-use asset for the Washington office lease as the Company no longer operates this space but the lease has not been terminated. This expense is included in loss on disposal of assets on the accompanying statement of operations.

**Aussie Pet Mobile, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023**

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As of December 31, 2023, future maturities of lease liabilities were as follows:

<b>Years Ending December 31,</b>	
2024	\$ 60,260
2025	<u>34,282</u>
Total lease payments	94,542
Less: amount representing interest	<u>(1,028)</u>
Present value of lease liabilities	<u>\$ 93,514</u>

The weighted average lease term and discount rate of our operating leases as of December 31, 2023 were as follows:

Weighted average remaining lease term (in years)	1.5
Weighted average discount rate	1.3%

***Legal Proceedings***

The Company currently has no lawsuits, actions, or other legal proceedings pending claims that we believe would have a material impact on the financial statements. However, the Company could, from time to time, be involved in litigation proceedings arising outside of its normal course of business.

**9. Related Party Transactions**

***Parental Operating Expense Allocation***

Certain operating expenses are incurred by the Parent and are allocated to the Company for services such as legal, IT, finance, marketing, and human resources. These expenses are allocated based on the percentage of overall gross profit contributed to the Parent. For the year ended December 31, 2023, the Parent allocated \$1,196,676 in net expenses to the Company, which were charged to the Company's operations, with most of the expenses included in operating and administrative expenses on the accompanying consolidated statement of operations.

***Operating Leases***

The Parent also leases the corporate office and training facilities and allocates a portion of its operating lease expense to the Company. For the year ended December 31, 2023, the Parent allocated \$68,221 in operating lease expenses (included in the total allocation described above in Parental Operating Expense Allocation) and is included in operating and administrative expenses on the accompanying consolidated statement of operations.

***Stockholder's Equity***

As of December 31, 2023, the Company has a net payable due to its Parent of \$291,589 resulting from various intercompany transactions. These amounts are presented as a component of stockholder's equity in the accompanying consolidated balance sheet.



**Aussie Pet Mobile, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023**

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**10. Retirement Plan**

The Company is a participant in its Parent's defined contribution 401(k) plan as part of a controlled group that covers eligible management and office employees. Contributions to the plan by the Company are based on employees' contributions subject to certain limitations. The Company contributed employer matches of \$44,674 for the year ended December 31, 2023 which is included in operating and administrative expenses on the accompanying consolidated statement of operations.

**11. Revenue from Contracts with Customers**

**Disaggregation of Revenue**

Revenues disaggregated by the timing of when goods and services are transferred consist of the following for the year ended December 31, 2023:

Revenue recognized over time	\$ 3,606,155
Revenue recognized at a point in time	<u>3,375,261</u>
Total revenue	<u>\$ 6,981,416</u>

**12. Subsequent Events**

Subsequent events have been evaluated by management through March 6, 2024, the date these consolidated financial statements were available to be issued. No subsequent events have occurred that would require recognition on the consolidated financial statements or disclosure in the notes to the consolidated financial statements.



## **Aussie Pet Mobile, Inc.**

### **Consolidated Financial Statements**

As of and for the Years Ended  
December 31, 2022, 2021, and 2020

# **Aussie Pet Mobile, Inc.**

## **Consolidated Financial Statements**

**As of and for the Years Ended December 31, 2022, 2021, and 2020**

# Aussie Pet Mobile, Inc.

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## Independent Auditor's Report

To the Members  
Aussie Pet Mobile, Inc.

### ***Opinion***

We have audited the consolidated financial statements of Aussie Pet Mobile, Inc. (the Company), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statement of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

The 2021 consolidated financial statements of the Company were audited by other auditors, whose report dated April 22, 2022 expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



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

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

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, LLP

April 14, 2023

## **Consolidated Financial Statements**

**Aussie Pet Mobile, Inc.**  
**Consolidated Balance Sheets**

<i>December 31,</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash (\$263,103, \$207,150, and \$62,143 restricted in 2022, 2021, and 2020, respectively)	\$ 1,346,925	\$ 1,278,406	919,843
Accounts receivable, net of allowance for doubtful accounts of \$707, \$0 and \$0 for 2022 and 2021, and 2020, respectively	399,552	837,631	492,791
Current maturities of notes receivable, net of allowance for doubtful accounts of \$2,418, \$0, and \$0 for 2022, 2021, and 2020, respectively	36,127	197,603	300,686
Inventory	79,024	114,328	-
Deferred incremental contract costs	196,887	196,372	206,939
Prepaid expenses and other current assets	636,098	441,531	481,274
<b>Total current assets</b>	<b>2,694,613</b>	<b>3,065,871</b>	<b>2,401,533</b>
Property and equipment, net	185,977	24,978	10,237
Notes receivable, net of current maturities and allowance for doubtful accounts of \$1,381, \$0, and \$0 for 2022, 2021, and 2020, respectively	26,230	-	-
Franchise territories held for resale, net	-	-	1,149,671
International franchise rights held for resale, net	-	-	1,320,400
Deferred incremental contract costs, non-current portion	819,577	988,081	1,141,038
Deferred tax asset, net	861,084	1,172,122	122,953
ROU asset	190,363	-	-
Intangibles	101,433	101,433	101,432
Other assets	7,030	22,780	22,780
<b>Total assets</b>	<b>\$ 4,886,307</b>	<b>\$ 5,375,265</b>	<b>\$ 6,270,044</b>



**Aussie Pet Mobile, Inc.**  
**Consolidated Balance Sheets**

<i>December 31,</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 283,460	\$ 213,414	\$ 170,148
Accrued expenses	80,678	50,963	48,537
Advertising advances and deposits	229,085	155,607	-
Deferred revenues, current	634,300	905,607	528,800
Lease liability, current	93,425	-	-
Long-term debt, current	-	-	413,662
<b>Total current liabilities</b>	<b>1,320,948</b>	<b>1,325,591</b>	<b>1,161,147</b>
Deferred rent	-	4,694	3,042
Lease liability, non-current	103,345	-	-
Due to Ultimate Parent	885,721	-	-
Deferred revenues, non-current	1,552,992	1,843,992	1,873,996
Long term debt, non-current	-	-	2,433,154
<b>Total liabilities</b>	<b>3,863,006</b>	<b>3,174,277</b>	<b>5,471,339</b>
<b>Commitments and Contingencies (Note 9)</b>			
Redeemable and Convertible Preferred Stock:			
Preferred stock, no par value, 1,150,000 shares authorized, 0, 0, and 210,000 shares issues and outstanding at December 31, 2022, 2021 and 2020, respectively, liquidation preference of \$1.74 per share			
	-	-	365,400
Stockholders' Equity:			
Common stock, no par value, 8,850,000 shares authorized, 1,000,1,000 and 2,817,928 shares issued and outstanding at December 31, 2022, 2021 2020, respectively			
	208	208	585,000
Additional paid-in capital	6,599,564	6,599,564	847,794
Stockholders' equity	(4,161,522)	(4,398,784)	(999,489)
Due to Parent	(1,414,949)	-	-
<b>Total Stockholders' Equity</b>	<b>1,023,301</b>	<b>2,200,988</b>	<b>433,305</b>
<b>Total liabilities and Stockholders' Equity</b>	<b>\$ 4,886,307</b>	<b>\$ 5,375,265</b>	<b>\$ 6,270,044</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Aussie Pet Mobile, Inc.**  
**Consolidated Statements of Operations**

<i>December 31,</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Operating revenues</b>			
Product sales	\$ 2,406,469	\$ 4,558,827	\$ 4,496,131
Royalty income	2,142,109	1,964,629	1,656,855
Continuing franchise fees	1,178,985	933,314	748,008
Initial franchise fees	363,950	558,854	396,804
<b>Total revenues</b>	<b>6,091,513</b>	<b>8,015,624</b>	<b>7,297,798</b>
<b>Operating expenses</b>			
Cost of product sales	1,882,511	3,515,027	3,398,624
Selling and advertising	1,478,934	2,528,991	1,401,927
Operating and administrative	2,640,165	4,328,610	2,131,195
Impairment loss	-	2,161,382	446,434
<b>Total operating expenses</b>	<b>6,001,610</b>	<b>12,534,010</b>	<b>7,378,180</b>
Earnings (loss) from operations	<b>89,903</b>	<b>(4,518,386 )</b>	<b>(80,382 )</b>
<b>Other income</b>			
Cancellation of debt	-	22,425	27,192
Interest income, net	4,916	50,812	-
<b>Net earnings (loss) before income taxes</b>	<b>94,819</b>	<b>(4,445,149 )</b>	<b>(53,190 )</b>
<b>Benefit (Provision) for income taxes</b>	<b>142,443</b>	<b>1,045,854</b>	<b>(583,555 )</b>
<b>Net income (loss)</b>	<b>\$ 237,262</b>	<b>\$ (3,399,295 )</b>	<b>\$ (636,745 )</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## Aussie Pet Mobile, Inc.

### Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Pain-in Capital	Accumulated Deficit	Due (from) to Parent	Total
	Shares	Amount				
<b>Balance at January 1, 2020</b>	2,817,928	\$ 585,000	\$ 847,794	\$ (362,744 )	\$ -	\$ 1,070,050
Net income (loss)	-	-	-	(636,745 )	-	(636,745 )
<b>Balance at December 31, 2020</b>	2,817,928	585,000	847,794	(999,489 )	-	433,305
Cancellation of 2,816,928 shares of common stock	(2,816,928 )	(584,792 )	584,792	-	-	-
Cancellation of 210,000 shares of preferred stock	-	-	365,400	-	-	365,400
Capital contributions	-	-	4,801,578	-	-	4,801,578
Net income (loss)	-	-	-	(3,399,295 )	-	(3,399,295 )
<b>Balance at December 31, 2021</b>	1,000	208	6,599,564	(4,398,784 )	-	2,200,988
Advances to Parent	-	-	-	-	(1,414,949 )	(1,414,949 )
Net income (loss)	-	-	-	237,262	-	237,262
<b>Balance at December 31, 2022</b>	1,000	\$ 208	\$ 6,599,564	\$ (4,161,522 )	\$ (1,414,949)	\$ 1,023,301

*The accompanying notes are an integral part of these consolidated financial statements.*

**Aussie Pet Mobile, Inc.**  
**Consolidated Statements of Cash Flows**

<i>December 31,</i>	2022	2021	2020
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 237,262	\$ (3,399,295 )	\$ (636,745 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	11,017	499,581	590,585
Cancellation of debt	-	(22,425 )	(27,192 )
Provision for bad debt	25,283	30,484	-
Noncash operating lease expense	95,816	-	-
Loss on sale of franchise territories held for resale	-	-	76,653
Impairment of franchise territories held for resale	-	919,732	446,434
Impairment of international franchise rights held for resale	-	1,056,316	-
Write off of inventory	-	154,850	-
Net change in assets and liabilities:			
Accounts receivable	415,172	(375,324 )	(259,630 )
Prepaid expenses and other assets	(194,567 )	39,743	(167,131 )
Notes receivable	132,870	103,083	(86,518 )
Inventory	35,304	(269,178 )	-
Other asset	15,750	-	(22,780 )
Deferred incremental contract cost	167,989	163,524	(94,205 )
Deferred tax asset, net	311,038	(1,049,169 )	581,155
Accounts payable	70,046	43,266	58,003
Accrued expenses	29,715	2,426	40,514
Advertising advances and deposits	73,478	155,607	-
Due to Ultimate Parent	885,721	-	-
Lease liability	(89,409 )	-	-
Deferred rent	(4,694 )	1,652	(2,007 )
Deferred revenues	(562,307 )	346,803	222,374
Net cash provided by (used in) operating activities	1,655,484	(1,598,324 )	719,590
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(172,016 )	(20,300 )	(10,122 )
Net cash used in investing activities	(172,016 )	(20,300 )	(10,122 )
<b>Cash flows from financing activities</b>			
Principal repayments to creditors	-	(2,824,391 )	(395,730 )
Capital contributions	-	4,801,578	-
Advances to parent	(1,414,949 )	-	-
Net cash (used in) provided by financing activities	(1,414,949 )	1,977,187	(395,730 )
Net increase in cash	68,519	358,563	313,658
Cash, beginning of year	1,278,406	919,843	606,185
Cash, end of year	\$ 1,346,925	\$ 1,278,406	\$ 919,843
<b>Supplemental Cash Flow Information</b>			
Cash paid for income taxes	\$ -	\$ 2,916	\$ 2,400
Cash paid for interest	\$ -	\$ 56,024	\$ -
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
ROU assets and lease liability	\$ 281,485	\$ -	\$ -

*The accompanying notes are an integral part of these consolidated financial statements.*

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### 1. The Company

#### *Nature of Operations*

Aussie Pet Mobile, Inc. (“Aussie Pet Mobile”), a California Corporation, includes the operations of its wholly-owned subsidiary, Aussie Pet Mobile International, Inc. (“Aussie Pet Mobile International”) (collectively the “Company”). The Company is a licensor of mobile pet grooming products and services. The Company is a wholly-owned subsidiary of Home Franchise Concepts, LLC (“HFC, LLC” or “Parent”). HFC, LLC is a wholly-owned subsidiary of JM Franchise Holdings, Inc. which is a wholly-owned subsidiary of JM Family Enterprises, Inc. (“Ultimate Parent”).

As of December 31, 2022, the Company has 76 total franchises, which are located throughout the United States and Kingdom of Saudi Arabia, including 1 total franchise located in Saudi Arabia. The Company is located in Issaquah, Washington and its corporate office and accounting records are located at the corporate headquarters in Irvine, California.

The financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years then ended may have differed had the Company not been affiliated with its Parent. Specifically, the allocation of the operating costs by the Parent to the Company may have differed had the Company not been affiliated with its Parent. See Note 12.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The Company maintains its records, and the accompanying consolidated financial statements have been prepared, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### *Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Company estimates considered significant include the estimate of allowance for doubtful accounts related to accounts, notes receivable, any impairment of intangibles, allocation of Parent’s expenses to the Company (Note 12) and the provision for income taxes.

#### *Change in Ownership*

On November 30, 2021, the then stockholders (“Predecessor Stockholders”) sold all of the issued and outstanding shares consisting of 2,817,928 common shares and 210,000 Preferred Series A shares to the now current stockholder (“Acquirer”). The Acquirer has not elected pushdown accounting in accordance with ASC 805-50-25-4. Consequently, no adjustments have been made to the accompanying consolidated financial statements as a result of this transaction.

In conjunction with this transaction, during 2021, the Company incurred transaction related costs in the amount of \$3,054,000. These costs are included in general and administrative expenses in the accompanying consolidated statements of operations.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### ***Fair Value Measurements***

The Company follows accounting guidance that defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Management believes the carrying value of financial instruments approximates their fair value. The carrying value of cash, restricted cash, accounts and due to/from Parent approximates their fair value due to the short-term nature of these instruments. The carrying value of the Company's notes receivable approximates their fair value as the interest is tied to or approximates market rates.

### ***Reclassifications***

Certain prior period items in the consolidated financial statements have been reclassified to be comparable with the classification for the year ended December 31, 2022. These reclassifications had no effect on the consolidated financial position or the results of operations of the Company.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist mainly of trade receivables and notes receivable from franchisees. The Company performs ongoing credit evaluations of its franchisees and generally does not require collateral. The Company maintains reserves for potential losses for uncollectable accounts, and such losses have historically been within management's expectations.

The Company maintains its cash in bank accounts, which are insured by the Federal Deposit Insurance Corporation ("FDIC"). The standard FDIC insurance amount is \$250,000 per depositor, per insured bank. At times, the Company's cash balances may exceed the federally insured limits. The Company has not experienced any losses on these accounts and believes it is not exposed to any significant credit risk on cash.

The Company earns all of its revenues from the mobile pet grooming industry. No single franchisee represented more than 10% of total revenues during the years ended December 31, 2022, 2021, and 2020.

### ***Cash***

The Company considers cash on hand and deposits in banks as cash.

The Company maintains some of its cash in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 per depositor. As of December 31, 2022, the Company's uninsured deposits in its deposit accounts with a U.S. bank totaled approximately \$834,000.

The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

### ***Restricted Cash***

Restricted cash includes advertising advances and deposits from franchisees for the purpose of national and regional advertising ("NAF"). The use of these funds is restricted for advertising costs to benefit the franchisees. The funds cannot be utilized for the Company's advertising expenses in connection with the sale of franchises.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### ***Accounts and Notes Receivable***

Accounts receivable consist of a) amounts due from franchise owners for continuing fees that are collected monthly, b) receivables for van conversions c) receivables for advertising reimbursements from franchise owners and d) miscellaneous receivables. Notes receivable consist of loans made to franchise owners for a purchase of initial or additional franchises (Note 3). Management provides for probable uncollectible amounts through a charge to earnings and an increase in the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through the allowance account. Changes in the allowance are not considered to be material to the consolidated financial statements.

### ***Inventories***

Inventories consist primarily of purchased parts and van inventory. During the year ended December 31, 2021, the Company purchased parts and van inventory items from a prior vendor for resale to its franchisees. Some of these parts were obsolete and would be destroyed and thus, the Company recorded an impairment of \$154,850 related to the van parts inventory. Inventory is recorded at the lower of cost or net realizable value using the first-in, first-out method.

### ***Property and Equipment***

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over their estimated useful lives. Certain costs incurred in connection with developing or obtaining internal-use software are recorded at cost and are included in property and equipment on the accompanying balance sheets. Depreciation begins once the software is available for its intended use over its estimated useful life. Expenditures that materially increase the asset life are capitalized, while ordinary maintenance and repairs are charged to operations as incurred.

Depreciation and amortization is based on the estimated useful life and is calculated as follows:

Computer Equipment:	3-5 years
Furniture and Equipment:	3-5 years
Vehicles:	5 years

### ***Franchise Territories Held for Resale***

The Company does not repossess or refund initial franchise fees paid by franchisees after the initial material conditions of the franchise agreement have been performed; however, from time to time, the Company will repurchase franchise territories from franchisees and resell the rights on a territory- by-territory basis. These franchise territories are located throughout the United States and the world.

Franchise territories reacquired on or before December 31, 2008 and held for resale were considered to have an indefinite life. Accordingly, these intangible assets were not amortized and were evaluated annually for impairment. The Company adopted the provision of Statement of Financial Accounting Standards No. 141 (revised 2007) "SFAS 141(r)" (currently Accounting Standards Codification "ASC" 350-10) beginning January 1, 2009. As a result, the cost of all territories reacquired after December 31, 2008 are amortized over the remaining life of the original franchise agreement.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

During 2016, management concluded that the accounting for the pre-2009 required Franchise Territories Held for Resale should conform to the principals outlined in ASC 350-10. As a result, management began amortizing those intangible assets over a ten-year period.

The Company recorded amortization expense related to its reacquired franchise territories held for resale in the amount of \$0, \$229,927, and \$314,296, for the years ended December 31, 2022, 2021, and 2020, respectively. All reacquired franchise territories held for sale were fully impaired in prior years (see notes below).

### ***International Franchise Rights***

On January 1, 2004, the Company acquired the indefinite rights to sell international franchises throughout the world for \$2,525,000. During the period from 2004 through 2010, the Company acquired additional international rights and sold the rights of various foreign territories. As a result, by December 31, 2010, the balance of the franchise rights increased to \$2,640,816. Through 2015, the Company primarily focused on selling franchises domestically within the United States of America. However, some international rights have been sold in Greece, Cyprus, Saudi Arabia, United Arab Emirates, Bahrain, Qatar, Kuwait, Lebanon and Turkey.

When these international franchise rights were initially acquired, the Company allocated the purchase price to individual geographical regions based on population and the gross domestic product of the country to determine a potential amount of franchise sales per foreign territory. When franchise rights for international territories were sold, a portion of the intangible asset was recorded to cost of goods sold, based on management's initial allocation of the purchase price of the international rights acquired.

Beginning in 2016, the Company began making a concerted effort to monetize its international franchise rights. Managements' plan included both the sale of individual franchise territories, beginning with a focused effort in Western Europe, and the sales of master franchise agreements. Management expected to execute this plan over a 10-year period. In conjunction with this shift in focus, management concluded that the remaining intangible asset of \$2,640,816 should be amortized over a 10-year period, which is the period of time these international franchise rights are expected to be sold. The amortization expense of international franchise rights was \$0, \$229,927, and \$314,296, for the years ended December 31, 2022, 2021, and 2020. The remaining balance was impaired in the prior year (see notes below).

### ***Impairment of Long-Lived Assets***

The Company periodically evaluates the carrying value of its long-lived assets, such as property, equipment and intangible assets, whenever indicators of impairment are present that indicate that the carrying amount of an asset or asset group may not be recoverable. Indicators of impairment include an economic downturn or a change in the assessment of future operations. If circumstances require that a long-lived asset be tested for possible impairment, the Company first compares the undiscounted cash flows expected to be generated by that long-lived asset or asset group to its carrying amount. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair market value of the assets. Assets to be disposed of are reported at the lower of the carrying value or estimated fair value, less costs to sell the asset.



# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

During 2021, the Company determined that the franchise territories held for resale, which were reacquired more than 10 years ago, were impaired and recorded an impairment charge of the remaining unamortized balance of the franchise territories held of \$919,732. During 2020, management determined that some of the franchise territories held for resale in Southern California were impaired and recorded an impairment charge in the amount of \$446,434. As of December 31, 2022, 2021, and 2020, the unamortized international franchise rights balances were \$0, \$0, and \$1,149,671, respectively.

In 2021, the Company determined that the international franchise rights were impaired and were no longer going to be pursued for monetary value, and thus recorded impairment of \$1,056,316 for the unamortized portion of the rights. No impairment was recorded on international franchise rights during the year ended December 31, 2020. As of December 31, 2022, 2021, and 2020, the unamortized international franchise rights balances were \$0, \$0, and \$1,320,400, respectively.

During the year ended December 31, 2021, the Company purchased parts and van inventory items from a prior vendor for resale to its franchisees. Some of these parts were obsolete and would be destroyed and thus, the Company recorded an impairment of \$154,850 related to the van parts inventory.

### ***Revenue Recognition***

The Company follows ASC 606, *Revenue from Contract with Customers*, (“ASC 606”) for revenue recognition. The core principle of ASC 606 is built on the contract between a vendor and a customer for the provision of goods and services, and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. (See Note 14)

### **Product Sales**

Franchisees purchase van conversion parts and grooming kits by placing orders through the Company, which are fulfilled by the vendor or the Company. The products are shipped directly from the vendor or Company to the franchisees and the Company facilitates the process. For these transactions the Company is determined to be the principal and revenues are not presented net of costs.

### **Initial Franchise Fees**

Initial franchise fees consist of fees paid by franchisees at the start of the agreement, area development fees, and renewal fees. The fixed non-refundable fee, as determined by the signed development and/or franchise agreement, is due at the time the development agreement is entered into, and/or when the franchise agreement is signed, and generally does not include a finance component. Initial franchise fees are made up of performance obligations for training, access to plans, access to vendors and Company specific pricing, area exclusivity, and the right to use the Company’s intellectual property over the term of the agreement

### **Royalty Income**

Franchise royalty income consists of sales-based variable fees paid by franchisees and are billed and due monthly. The sales-based royalty fee is considered variable consideration and will continue to be recognized as revenue as such sales are earned by the franchisees. Sales-based fees qualify under the

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

royalty constraint exception, and do not require an estimate of future transaction price. In addition, there is royalty de-escalation clauses whereby the royalty percentage amounts are decreased during each month if certain sales thresholds are obtained based on the franchise agreement.

### Continuing Franchise Fees

Continuing franchise fees consist of advertising funds received from the franchisees to provide national and regional advertisements for the benefit of the franchisees (NAF). These advances and deposits are based on a fixed amount for each franchisee and are restricted and segregated. The Company presents advertising contributions received from franchisees as franchise advertising fee revenue and records all expenses of the advertising fund within franchise expenses, resulting in an increase in revenues and expenses on the statements of operations, with no change to the balance sheets unless the advertising was underspent. When underspent (revenue exceeds expenses), the advertising fund will accrue the difference from collections received and amount owed. In addition, the franchise agreements allow the Company to retain a percentage of the advertising deposits as compensation for its administration over the accounts. During the years ended December 31, 2022, 2021, and 2020, the Company recognized \$153,781, \$186,105 and \$120,000, respectively, as compensation for its administration over the accounts, which is included in continuing franchise fees on the accompanying statements of operations.

### Cost to Obtain Contracts

The Company incurs costs that are directly attributable to obtaining a contract, for example broker fees, referral fees, and training fees. Cost to obtain contracts is recognized upon substantial performance of material contractual obligations as set forth in the franchise agreement, typically the completion of training. Costs are included in selling and advertising expenses on the accompanying statements of operations.

### **Advertising**

Advertising costs are expensed as incurred and included in general and administrative expenses on the statement of operations. The Company recorded advertising and marketing costs in the amount of \$175,272, \$206,869, and \$111,345, for the years ended December 31, 2022, 2021, and 2020, respectively. Costs are included in selling and advertising expenses on the accompanying statements of operations.

### **Income Taxes**

The Company is included in the consolidated federal income tax return filed by the Ultimate Parent and certain state consolidated and combined income tax returns. In addition, the Company files various state income tax returns on a separate basis. The Company's provision (benefit) for income taxes is computed on a separate company basis for financial reporting purposes and includes an allocation of a benefit by the Parent for tax losses generated by the Company, if any, that are utilized by the consolidated group.

Deferred income taxes, net have been provided using the asset and liability method to reflect the effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. A valuation allowance has been recognized if it is more likely than not that the deferred tax assets will not be realized.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### ***Redeemable Convertible Preferred Stock***

As further discussed in Note 10, the Company had issued 210,000 shares of convertible stock which could be redeemed by the holder, upon six months' notice, for \$1.74 per share. The Company recorded these redeemable shares as redeemable convertible preferred stock outside of permanent equity in its consolidated balance sheets. Changes in the amount of redeemable convertible preferred stock from period to period are recorded as an adjustment to capital in excesses of par. In December 2021, the Company cancelled these shares and the value of the shares was recorded to additional paid in capital.

### ***Adoption of New Accounting Pronouncement***

#### *Lease commitments*

The Company adopted ASC 842, Leases ("ASC 842"), Leases standard effective January 1, 2022 using the modified retrospective method. The lease accounting standard requires all leases to be reported on the balance sheet as right-of-use assets and lease obligations. The Company elected the practical expedients permitted under the transition guidance of the standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. The Company did not reassess whether any contracts or land easements entered into prior to adoption are leases or contain leases. The adoption of the lease standard is not expected to have a material impact on the Company's net income on an ongoing basis.

The cumulative effect of the changes made to the Company's consolidated balance sheet at January 1, 2022, for the adoption of the lease standard, was as follows:

	As previously reported	Effect of adoption	As adjusted
<b>Balance Sheet:</b>			
ROU asset	\$ -	\$ 281,485	\$ 281,485
Total assets	5,375,265	281,485	5,656,750
Deferred rent	4,694	(4,694)	-
Lease liability	-	286,179	286,179
Total liabilities	\$ 3,174,277	\$ 281,485	\$ 3,455,762

Operating lease liabilities and right-of-use ("ROU") assets are recognized at the lease commencement date or the date the leases were acquired based on the present value of the future minimum lease payments over the remaining lease term. The Company uses the risk-free treasury rate at the lease commencement date for the duration of the remaining lease term, unless the rate is implicit in the contract, then the Company uses the implicit rate to discount the present value of the future minimum lease payments.

The Company's lease commitments include real estate leases. Total non-allocated lease expense was \$143,259 for the period ended December 31, 2022. The Company currently has lease agreements through 2027. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### 3. Notes Receivable - Franchisees

Notes receivable relates to the Company financing a portion of the initial franchise fees from the sale of franchises or van conversions. The notes are collateralized by the franchise territory or vans. The notes generally bear interest at rates ranging from 6% to 9% with maturities generally ranging from 12 months to five years. A summary of notes receivable principal maturities follows:

A summary of notes receivable principal maturities follows:

*Years ending December 31,*

2023	\$	38,545
2024		5,718
2025		6,255
2026		6,841
2027		7,483
Thereafter		1,314
<hr/>		
Notes receivable		66,156
Less: allowance for doubtful accounts		(3,799)
<hr/>		
Notes receivable, net of allowances for doubtful accounts		62,357
Less: current maturities, net of allowances for doubtful accounts		(36,127)
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Notes receivable, net of current maturities and allowances for doubtful accounts	\$	26,230

### 4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following as of December 31:

	2022	2021	2020
Prepaid commissions and broker fees	\$ 81,623	\$ 34,765	\$ -
Prepaid van conversions	522,707	305,750	409,355
Others	31,768	101,016	71,919
<hr/>			
Prepaid expenses	\$ 636,098	\$ 441,531	\$ 481,274

Prepaid van conversions represent costs incurred to create and convert pet grooming vans.

Prepaid commissions and broker fees represent specific costs paid for franchises sold that have not begun operations.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### 5. Equipment and Furniture

Property and equipment, net consist of the following as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Office furniture and equipment	\$ 32,223	\$ 50,563	\$ 33,584
Computer software	-	14,650	14,650
Vehicles	113,145	-	-
Computer equipment	39,324	60,104	56,784
Property and equipment	184,692	125,317	105,018
Less accumulated depreciation	(75,852)	(100,339)	(94,781)
Property and equipment, net of accumulated depreciation	108,840	24,978	10,237
Construction in progress	77,137	-	-
Property and equipment, net	\$ 185,977	\$ 24,978	\$ 10,237

The Company recorded depreciation expense of \$11,017, \$5,558, and \$12,207, for the years ended December 31, 2022, 2021, and 2020, respectively.

### 6. Accrued Expenses

Accrued expenses consist of the following at December 31:

	2022	2021	2020
Accrued compensation	\$ 74,435	\$ 24,964	\$ 1,346
Accrued other	6,243	25,999	47,191
Accrued expenses	\$ 80,678	\$ 50,963	\$ 48,537

### 7. Franchise Territories Held for Resale

During the year ended December 31, 2020, the Company sold franchise rights that were previously repurchased for \$125,000 in Orange County, California. No franchise territories held for resale were sold for the year ended December 31, 2021.

Franchise territories held for resale are summarized as follows:

	2022	2021	2020
Beginning balance, January 1,	\$ -	\$ 1,149,671	\$ 1,987,054
Sales	-	-	(76,653)
Amortization	-	(229,940)	(314,296)
Impairment	-	(919,731)	(446,434)
Ending balance, December 31,	\$ -	\$ -	\$ 1,149,671

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

### 8. Plan of Reorganization

The Company entered into a plan of reorganization, on December 10, 2012 (the “Plan”). The Plan set forth the treatment of all the Company’s creditors (including restructuring fees) which were divided into various classes in accordance with the Plan. The Plan provides for payment in full to all creditors with interest, if applicable, as set forth in the Plan. In order to ensure that the Company has sufficient funds to operate, payments to general unsecured creditors are premised on the Company’s maintenance of working capital cash balance of \$150,000; therefore, payments to these creditors may be deferred or reduced depending on the Company’s working capital cash balance at such time as distributions may be due under the Plan. Additionally, in certain circumstances debts may be dismissed if creditors do not adhere to certain stipulations of the Plan.

During the years ended December 31, 2021, and 2020, payments of \$2,824,391, and \$395,730, respectively, were made to creditors. During the years ended December 31, 2021, and 2020, debts in the amount of \$22,425, and \$27,192, respectively, were dismissed and written off due to individual creditors not meeting certain stipulations of the Plan. These debts were fully repaid and/or written off during 2021 and there was no further activity in 2022.

### 9. Commitments and Contingencies

#### *Operating Leases*

The Parent leases the Company’s headquarters and warehouse and allocates a portion of its rent expense to the Company (Note 12). The total rent expense incurred by the Parent for these properties was \$2,008,423, \$1,349,021, and \$1,173,803 for the years ended December 31, 2022, 2021, and 2020, respectively, of which \$60,686, \$0, and \$0 for the year ended December 31, 2022, 2021, and 2020, respectively, was allocated to the Company and is included in operating and administrative expenses on the consolidated statements of operations.

The Company leases office space in California and Washington under non-cancelable operating leases through September 2025. See Note 2 for a summary of the Company’s policies relating to leases. The initial terms of operating leases are five years and certain leases provide for free rent periods, periodic rent increases, and renewal options. Monthly payments for these leases range from \$3,827 to \$4,285. All lease agreements generally require the Company to pay maintenance, repairs, property taxes, and insurance costs, which are generally variable amounts based on actual costs incurred during each applicable period. The total rent expense to the Company was \$107,222 and \$112,790, and \$99,645 for 2022, 2021, and 2020 respectively.

The Company has lease liability for the next five years and thereafter under such leases as follows:

#### *Years Ending December 31,*

2023	\$	93,425
2024		64,997
2025		38,348
<hr/>		
Lease liability	\$	196,770

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

The following table provides additional information related to operating lease agreements for which the Company is the lessee:

<i>As of December 31,</i>	<b>2022</b>
ROU assets	\$ 190,363
Weighted Average Remaining Lease Term (years)	2.3
Weighted Average discount rate	1.19%

### 10. Redeemable Convertible Preferred Stock

The Company's preferred stock automatically converts to common stock on a one to one basis upon the Company going public or at any time at the option of the stockholder. The preferred stockholders are entitled to quarterly cumulative dividends that accrue at a rate of 7% per annum if declared by the board of directors. To date, the Company has not declared or paid any dividends.

On November 30, 2021, the Company cancelled all the outstanding convertible preferred stock and the residual value of the shares in the amount of \$365,400 was recorded to additional paid in capital.

### 11. Income Taxes

The provision (benefit) for income taxes comprises:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current tax provision (benefit)			
Federal	\$ (192,500)	\$ (157,761)	\$ 1,148,083
State	(15,676)	406,994	262,533
Current provision (benefit) for income taxes	<b>(208,176)</b>	249,233	1,410,616
Deferred tax provision (benefit)			
Federal	68,875	(886,493)	(566,128)
State	(3,142)	(408,594)	(260,933)
Deferred benefit for income taxes	<b>65,733</b>	(1,295,087)	(827,061)
Total provision (benefit) for income taxes	<b>\$ (142,443)</b>	<b>\$ (1,045,854)</b>	<b>\$ 583,555</b>

The difference between the Company's effective income tax rate and the federal statutory rate primarily due to state taxes and permanent differences.

# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

The components of deferred tax assets at December 31, 2022, 2021, and 2020 are presented in the Company's consolidated financial statements as follows:

	2022	2021	2020
Net operating loss carryforward	\$ 398,783	\$ 584,974	\$ 362,422
Impairment of areas held for sale	359,867	686,693	181,646
Deferred revenue	278,533	199,236	-
Amortization	-	(235,298)	(419,360)
Depreciation	(47,181)	(2,739)	(2,324)
ROU asset	(45,286)	-	-
Lease liability	46,811	-	-
Prepaid expenses	(151,324)	-	-
Bad debt allowance	1,072	-	-
Other	19,809	(60,744)	569
Net deferred tax asset	\$ 861,085	\$ 1,172,122	\$ 122,953

The Company recorded an income tax expense (benefit) of \$232,639, (1,054,854) and \$477,808 for the years ended December 31, 2022, 2021, and 2020. The difference between the Company's effective tax rate and federal statutory rate for 2022 and 2021 is primarily due to state tax net of federal tax benefit and permanent differences.

### *Uncertain Tax Positions*

The Company applies the provisions of ASC 740, "Income Taxes", which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments.

As of December 31, 2022, the Company had no material unrecognized tax benefits and, therefore, has not recorded a liability for unrecognized tax benefits. Interest and penalties related to unrecognized tax benefits are recognized in provision for income taxes. At December 31, 2022, no interest and penalties were incurred.

The Company is subject to U.S. federal, state and local income tax, and in the normal course of business, its income tax returns are subject to examination by the relevant tax authorities. The 2022 and 2021 tax years remain subject to examination by the Internal Revenue Service and the California Franchise Tax Board.

## 12. Related Party Transactions

Certain operating expenses are incurred by the Parent and are allocated to the Company. During the years ended December 31, 2022, 2021, and 2020, the Parent allocated \$824,761, \$0, and \$0, respectively, in expenses to the Company, which was charged to the Company's operations, with the majority of the expenses included in operating and administrative expenses in the accompanying consolidated statements of operations.



# Aussie Pet Mobile, Inc.

## Notes to Consolidated Financial Statements

At December 31, 2022, 2021, and 2020 the Company has a net receivable from its Parent in the amount of \$1,247,869, \$0, and \$0, respectively, which resulted from various intercompany transactions. These amounts are presented as a component of equity in the accompanying consolidated balance sheets.

Subsequent to the change in ownership of the Company that occurred in November 2021, the Company paid management fees, franchise sales commissions, salaries and director's fees to certain Predecessor Stockholders, officers and relatives of officers in the normal course of business. For the years ended December 31, 2022, 2021, and 2020, franchise sales commissions paid to related parties, which are included in cost of product sales in the accompanying statements of operations, totaled \$0, \$507,720, and \$386,683, respectively. Management fees, salaries, and director fees paid to related parties, which are included in general and administrative expenses in the accompanying statements of operations, totaled approximately \$380,000 a year for the each of the years ended December 31, 2021, and 2020. Amounts due from a Predecessor Stockholder totaling \$256,675 and \$68,958 are included in prepaid expenses and other current assets as of December 31, 2021 and 2020, respectively.

### 13. Retirement Plan

The Company is a participant in its Parent's defined contribution 401(k) plan as part of a controlled group that covers eligible management and office employees. Contributions to the plan by the Company are based on employees' contributions subject to certain limitations. The Company contributed \$33,562, \$0, and \$0 during the years ended December 31, 2022, 2021, and 2020, respectively, which are included in operating and administrative expenses on the consolidated statements of operations.

### 14. Revenue from Contracts with Customers

#### *Disaggregation of Revenue*

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the year ended December 31:

	2022	2021 (As Adjusted)	2020 (As Adjusted)
Revenue recognized over time	\$ 3,321,094	\$ 2,897,943	\$ 2,404,863
Revenue recognized at a point in time	2,770,419	5,117,681	4,892,935
Total Revenue	\$ 6,091,513	\$ 8,015,624	\$ 7,297,798

### 15. Subsequent Events

Management has evaluated subsequent events through April 14, 2023, the date of which the consolidated financial statements were available to be issued.

**EXHIBIT C**  
**LIST OF FRANCHISEES**

## Current Franchises

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	<b>Alabama</b>							
1	Aussie Pet Mobile of Huntsville	7/24/2019	Cloverkle Enterprises, LLC	418 Holmes Avenue NE, Unit A	Huntsville	Alabama	35801	(256) 479-6007
	<b>Arizona</b>							
	Aussie Pet Mobile of Chandler	7/12/2005	Nergize, LLC	878 E. Beargrass Place	Queen Creek	Arizona	85242	(480) 888-8811
2	Aussie Pet Mobile of N. W. Tucson	3/26/2008	M & S O'Dore, LLC	8421 N. Mammoth Drive	Tucson	Arizona	85743	(520) 572-9693
	<b>Arkansas</b>							
1	Aussie Pet Mobile of Northwest Arkansas	3/15/2019	ARTX Grooming Services, Inc.	4511 W. Hillside Drive	Rogers	Arkansas	72758	(479) 696-2600
	<b>California</b>							
	Aussie Pet Mobile of Chino Hills	10/26/2020	ASA Sun Corp.	5977 Springcrest Drive	Eastvale	California	92880	(909) 247-9179
	Aussie Pet Mobile of Yorba Linda	12/1/2023	Aussie Mobile Groomer LLC	1307 W Roberta Avenue	Fullerton	California	92833	(657) 348-2422
	Aussie Pet Mobile of Southern California	2/13/2018	Agni Pet Services, Inc.	2475 Darlington Row	La Jolla	California	92037	(760) 945-6626
	Aussie Pet Mobile of Coachella Valley	6/25/2015	Desert Dogs, Inc.	79-105 Kristen Court	La Quinta	California	92253	(760) 345-7107
	Aussie Pet Mobile of Oakland/Berkeley	12/13/2011	Richeta, Inc.	944 Reliez Station Road	Lafayette	California	94549	(925) 934-1125
	Aussie Pet Mobile of Beach Cities West	11/27/2018	Augie's Barks & Bubble, Inc.	1705 Pullman Lane #A	Redondo Beach	California	90278	(310) 504-0709
	Aussie Pet Mobile of South Bay	11/18/2013	Living Pets, LLC	1430 Koll Circle Suite 110	San Jose	California	95120	(408) 333-9681
	Aussie Pet Mobile of South Bay-X	4/12/2017	Living Pets, LLC	1430 Koll Circle Suite 110	San Jose	California	95112	(408) 333-9681
	Aussie Pet Mobile of South Bay-X2	2/10/2021	Living Pets, LLC	1430 Koll Circle Suite 110	San Jose	California	95112	(408) 333-9681
	Aussie Pet Mobile of Ventura County	6/19/2018	Cloud Dancers Aviation Services, LLC	611 Monte Vista	Santa Paula	California	93060	(805) 209-7929
	Aussie Pet Mobile of Sherman Oaks	9/20/2019	Dogelama, Inc.	4707 Willis Avenue	Sherman Oaks	California	91403	(818) 830-4070
	Aussie Pet Mobile of Conejo Valley	6/10/2016	United Legacy Properties, LLC	1957 Coventry Court	Thousand Oaks	California	91362	(805) 857-1311
13	Aussie Pet Mobile of Walnut Creek	5/1/2023	Spetacular Spaw LLC	291 Normandy Lane	Walnut Creek	California	94598	(925) 932-9559
	<b>Colorado</b>							
1	Aussie Pet Mobile of Douglas County	6/1/2023	Shane's Halo LLC	6735 South Cook Street	Centennial	Colorado	80221	(303) 434-6528
	<b>Connecticut</b>							
1	Aussie Pet Mobile of Norwalk	1/6/2016	Fat Cat Productions, LLC	145 Strawberry Hill Avenue	Norwalk	Connecticut	06851	(203) 981-7552
	<b>Florida</b>							
	Aussie Pet Mobile of South Volusia County	8/26/2016	Toutou Calin, LLC	1742 Woodland Blvd. #242	Deland	Florida	24720	(386) 228-1040
	Aussie Pet Mobile of Lakewood Ranch	10/1/2023	PANPAC Enterprises LLC	13220 Swiftwater Way	Lakewood Ranch	Florida	34211	(941) 888-1450
	Aussie Pet Mobile of Brevard County	12/30/2015	Kwinky, Inc.	1601 Gable Court	Merritt Island	Florida	32953	(321) 284-8805
	Aussie Pet Mobile of Greater Orlando	10/1/2023	JKH Inc	2706 S Fairway Drive	Plant City	Florida	33566	(407) 595-8798
	Aussie Pet Mobile of SE Orlando	10/1/2023	JKH Inc	2706 S Fairway Drive	Plant City	Florida	33566	(407) 595-8798
6	Aussie Pet Mobile of Apollo Beach	10/15/2015	Wouaff, LLC	13939 Florigold	Windermere	Florida	33570	(727) 741-7612
	<b>Idaho</b>							
1	Aussie Pet Mobile of Boise	12/1/2023	Harrison Maalouf and Megan Maalouf	2163 W Root Creek Street	Meridian	Idaho	83646	(208) 922-7500

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	<b>Illinois</b>							
	Aussie Pet Mobile of Bartlett	12/14/2005	Pet Adventures, LLC	8N265 Cheviot Drive	Bartlett	Illinois	60103	(630) 514-5770
	Aussie Pet Mobile of NW Chicagoland	9/7/2007	Plyler Enterprises, Inc.	7207 Horseshoe Court	Cary	Illinois	60013	(847) 516-7810
3	Aussie Pet Mobile of Chicago Western Suburbs	10/1/2020	Salty Dog Mobile Spa, LLC	1110 Royal Court	Wheaton	Illinois	60187	(847) 773-7378
	<b>Indiana</b>							
	Aussie Pet Mobile of Fort Wayne	4/12/2018	M.D. Meyer, Inc.	10108 Red Oak Court	Fort Wayne	Indiana	46804	(260) 459-2765
2	Aussie Pet Mobile of Indianapolis	11/6/2015	K & TH Enterprises, LLC	13476 E. 166th Street	Noblesville	Indiana	46060	(317) 879-6506
	<b>Kentucky</b>							
	Aussie Pet Mobile of Louisville	12/5/2007	KNH, Inc.	10915 Aspenview Court	Louisville	Kentucky	40299	(502) 741-7903
2	Aussie Pet Mobile of South Central Louisville	3/24/2008	JEM Group, Inc.	9920 Wyncliff Ct	Louisville	Kentucky	40241	(502) 552-2934
	<b>Maryland</b>							
1	Aussie Pet Mobile of Howard County	2/21/2018	Cruz Pet Services, LLC	8234 Glenmar Road	Elliot City	Maryland	21043	(410) 772-4661
	<b>Massachusetts</b>							
1	Aussie Pet Mobile of Arlington	11/16/2020	Pilarczyk LLC	48 Bow Street	Arlington	Massachusetts	02474	(781) 899-0631
	<b>Minnesota</b>							
1	Aussie Pet Mobile of Northwest Minneapolis	5/1/2022	Kodiak Major Services, Inc.	7059 166th Ave NW	Ramsey	Minnesota	55303	(763) 363-4042
	<b>Missouri</b>							
1	Aussie Pet Mobile of West St. Louis	3/1/2023	Roving Pet Salon, LLC	3774 Afshari's Circle	Florissant	Missouri	63034	(314) 214-7335
	<b>New York</b>							
1	Aussie Pet Mobile of South Westchester County	11/17/2017	3rd Chapter, Inc.	24 Medford Lane	Scarsdale	New York	10583	(914) 340-4532
	<b>North Carolina</b>							
	Aussie Pet Mobile of Cary and Apex	2/1/2023	Spivey Pampered Paws, LLC	81 Doe Court	Apex	North Carolina	27523	(919) 589-7768
	Aussie Pet Mobile of Charlotte	12/5/2006	Charlotte Pet Mobile, Inc.	3505 Mountain Cove Drive	Charlotte	North Carolina	28216	(704) 394-7111
3	Aussie Pet Mobile of North Charlotte	4/19/2018	Angel Paws Pet Mobile, Inc.	630 Melissa Ann Way	Davidson	North Carolina	28036	(704) 654-2093
	<b>Ohio</b>							
	Aussie Pet Mobile of Cuyahoga Valley	11/21/2016	Wiggins Enterprises, Inc.	577 Solon Road	Bentleyville	Ohio	44022	(440) 247-1475
	Aussie Pet Mobile of Cuyahoga Valley-X	10/4/2021	Wiggins Enterprises, Inc.	577 Solon Road	Bentleyville	Ohio	44022	(440) 247-1475
3	Aussie Pet Mobile of Northwest Columbus	4/6/2020	Bill & Jeanine Michael, Inc.	7719 Richens Drive	Dublin	Ohio	43017	(614) 580-1413
	<b>Oregon</b>							
1	Aussie Pet Mobile of South Portland	7/12/2018	Aust Enterprises Inc.	8846 SW Stono Drive	Tualatin	Oregon	97062	(503) 612-9191
	<b>Pennsylvania</b>							
1	Aussie Pet Mobile of Lehigh Valley	9/21/2013	KJP Investments, Inc.	5435 Devonshire Ct	Laury's Station	Pennsylvania	18059	(484) 893-0720
	<b>Rhode Island</b>							
1	Aussie Pet Mobile of Rhode Island	10/6/2017	Weatherman XL Group, Inc.	5 Brookside Landing	Putnam	Rhode Island	06260	(401) 548-2397

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	<b>South Carolina</b>							
1	Aussie Pet Mobile of South Carolina	11/10/2017	Palmetto Mobile Pet LLC	38 Ashley Avenue	Charleston	South Carolina	29401	(843) 709-4422
	<b>Tennessee</b>							
	Aussie Pet Mobile of East Memphis	8/11/2008	Harper Mathis Young, Jr.	3594 Forest Avenue	Memphis	Tennessee	38122	(901) 255-2812
2	Aussie Pet Mobile of Brentwood	3/14/2007	Tucker's Home, Inc.	P.O. Box 160875	Nashville	Tennessee	37216	(615) 403-1222
	<b>Texas</b>							
	Aussie Pet Mobile of Capital City	2/14/2020	Gardner Virtus, Inc.	1101 Hollow Creek Drive #2206	Austin	Texas	78704	(737) 400-2814
	Aussie Pet Mobile of Park Cities	4/1/2022	Labasheeda, LLC	9221 Wichita Trail	Frisco	Texas	75033	(844) 431-4329
	Aussie Pet Mobile of River Oaks	1/25/2018	Boswell & Boswell, LLC	2904 Chenevert Street Unit D	Houston	Texas	77004	(713) 635-9943
	Aussie Pet Mobile of Katy-X	9/28/2021	Beloved Pet Services LLC	8331 Erasmus Landing Court	Houston	Texas	77044	(346) 387-0498
	Aussie Pet Mobile of River Oaks - X	12/29/2021	Boswell & Boswell, LLC	2904 Chenevert Street Unit D	Houston	Texas	77004	(713) 635-9943
	Aussie Pet Mobile of NW Houston	12/5/2019	Harris Operations Inc.	8010 Hertfordshire Circle	Klein	Texas	77379	(281) 247-7291
	Aussie Pet Mobile of Frisco	9/28/2017	Metroplex Pet Services, Inc.	2648 Greyhawk Drive	Lantana	Texas	76226	(972) 798-8780
	Aussie Pet Mobile of McKinney	2/17/2020	Metroplex Pet Services, Inc.	2648 Greyhawk Drive	Little Elm	Texas	75068	(972) 798-8780
	Aussie Pet Mobile of Katy	6/2/2017	Beloved Pet Services LLC	8331 Erasmus Landing Court	Richmond	Texas	77406	(346) 387-0498
	Aussie Pet Mobile of San Antonio North	6/1/2023	Beloved Pet Services LLC	8331 Erasmus Landing Court	Richmond	Texas	77406	(212) 870-0959
	Aussie Pet Mobile of Woodlands Spring	3/22/2017	DIAD Holdings, LLC	3507 Lost Oak Drive	Spring	Texas	77388	(281) 353-5019
	Aussie Pet Mobile of Weatherford	11/7/2019	Gandy Pet Grooming, LLC	5925 Meadow Ridge Drive	Weatherford	Texas	76087	(817) 757-4103
	Aussie Pet Mobile of Westplex	4/7/2020	Gandy Pet Grooming, LLC	5925 Meadow Ridge Drive	Weatherford	Texas	76087	(817) 757-4103
	Aussie Pet Mobile of Weatherford - X2	3/25/2021	Gandy Pet Grooming, LLC	5925 Meadow Ridge Drive	Weatherford	Texas	76087	(817) 757-4103
	Aussie Pet Mobile of South Austin	4/22/2016	Astronomical, Inc.	498 Cinco Ninos	Wimberly	Texas	78676	(512) 554-5474
	Aussie Pet Mobile of North Austin	5/16/2019	Astronomical, Inc.	498 Cinco Ninos	Wimberly	Texas	89676	(512) 552-5474
	Aussie Pet Mobile of Montgomery	6/23/2020	AZ3 Group, Inc.	1893 CR 4260	Woodville	Texas	75979	(936) 236-7123
18	Aussie Pet Mobile of Montgomery-X	12/29/2020	AZ3 Group, Inc.	1893 CR 4260	Woodville	Texas	75979	(936) 236-7123
	<b>Utah</b>							
1	Aussie Pet Mobile of Salt Lake	3/14/2017	JKAAJ Enterprises, Inc.	501 S. 1150 E.	Bountiful	Utah	84010	(385) 557-4333
	<b>Virginia</b>							
	Aussie Pet Mobile of Alexandria	5/12/2020	Camofly Inc.	9441 Mount Vernon Circle	Alexandria	Virginia	22309	(571) 201-7069
2	Aussie Pet Mobile of North Richmond	6/30/2008	Rob's Pet Company, Inc.	2620 Britland Drive	Manakin Sabot	Virginia	23103	(804) 690-7257
	<b>Washington</b>							
	Aussie Pet Mobile of Edmonds	7/1/2023	Doug Moczulewski and Janet Moczulewski	15608 230th Ave SE	Issaquah	Washington	98027	(206) 295-2734
	Aussie Pet Mobile of Pierce County	12/4/2020	Belabus Enterprises, Inc.	3014 Dunhill Lane	Puyallup	Washington	98372	(253) 387-7210
3	Aussie Pet Mobile of Pierce County - X	4/7/2021	Belabus Enterprises, Inc.	3014 Dunhill Lane	Puyallup	Washington	98372	(253) 387-7210
74	<b>Total</b>							
	<b>Not Yet Operational on 12/31/2023</b>							
<b>Total</b>	<b>Company</b>	<b>Start Date</b>	<b>Owner</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
	<b>Arizona</b>							

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Aussie Pet Mobile of North Gilbert	4/16/2024	AP20231001 /JM Horizon Holdings LLC	200 W Germann Road, Apt. 3034	Chandler	Arizona	85286	(602) 888-2833
<b>2</b>	Aussie Pet Mobile of Downtown Chandler	4/16/2024	AP20231001 /JM Horizon Holdings LLC	200 W Germann Road, Apt. 3034	Chandler	Arizona	85286	(602) 888-2833
	<b>California</b>							
	Aussie Pet Mobile of Brea	6/1/2024	Aussie Mobile Groomer LLC	1307 W Roberta Avenue	Fullerton	California	92833	(657) 348-2422
<b>2</b>	Aussie Pet Mobile of Fullerton	12/1/2024	Aussie Mobile Groomer LLC	1307 W Roberta Avenue	Fullerton	California	92833	(657) 348-2422
	<b>Florida</b>							
	Aussie Pet Mobile of Boca Raton	TBD	Alex Baidoc	16412 Good Hearth Blvd.	Clermont	Florida	34711	(407) 455-0447
	Aussie Pet Mobile of Fort Lauderdale	TBD	Alex Baidoc	16412 Good Hearth Blvd.	Clermont	Florida	34711	(407) 455-0447
	Aussie Pet Mobile of Parrish	11/1/2025	PANPAC Enterprises LLC	13220 Swiftwater Way	Lakewood Ranch	Florida	34211	(941) 888-1450
	Aussie Pet Mobile of East Bradenton	4/1/2024	PANPAC Enterprises LLC	13220 Swiftwater Way	Lakewood Ranch	Florida	34211	(941) 888-1450
	Aussie Pet Mobile of West Bradenton	10/1/2024	PANPAC Enterprises LLC	13220 Swiftwater Way	Lakewood Ranch	Florida	34211	(941) 888-1450
<b>6</b>	Aussie Pet Mobile of Downtown Sarasota	4/1/2025	PANPAC Enterprises LLC	13220 Swiftwater Way	Lakewood Ranch	Florida	34211	(941) 888-1450
	<b>New Jersey</b>							
	Aussie Pet Mobile of Middletown	3/1/2024	Robert Giamboi and Jennifer Giamboi	390 Kings Highway East	Middletown	New Jersey	07748	(718) 689-0782
	Aussie Pet Mobile of Freehold	9/1/2024	Robert Giamboi and Jennifer Giamboi	390 Kings Highway East	Middletown	New Jersey	07748	(718) 689-0782
	Aussie Pet Mobile of Long Branch	3/1/2025	Robert Giamboi and Jennifer Giamboi	390 Kings Highway East	Middletown	New Jersey	07748	(718) 689-0782
<b>4</b>	Aussie Pet Mobile of East Brunswick	9/1/2025	Robert Giamboi and Jennifer Giamboi	390 Kings Highway East	Middletown	New Jersey	07748	(718) 689-0782
	<b>New York</b>							
	Aussie Pet Mobile of Mount Kisco	2/29/2024	RPMKG LLC	22 Gedney Esplanade	White Plains	New York	10605	(914) 729-7077
	Aussie Pet Mobile of Ossining	8/29/2024	RPMKG LLC	22 Gedney Esplanade	White Plains	New York	10605	(914) 729-7077
<b>3</b>	Aussie Pet Mobile of White Plains	3/1/2025	RPMKG LLC	22 Gedney Esplanade	White Plains	New York	10605	(914) 729-7077
	<b>North Carolina</b>							
	Aussie Pet Mobile of Lewisville	1/27/2024	APM of Triad, LLC	1060 Yorkshire Rd	Winston-Salem	North Carolina	27106	(336) 757-6264
	Aussie Pet Mobile of East Winston-Salem	7/27/2024	APM of Triad, LLC	1060 Yorkshire Rd	Winston-Salem	North Carolina	27106	(336) 757-6264
<b>3</b>	Aussie Pet Mobile of Summerfield	1/27/2025	APM of Triad, LLC	1060 Yorkshire Rd	Winston-Salem	North Carolina	27106	(336) 757-6264

20 Total

**EXHIBIT D**

**LIST OF TERMINATED OR TRANSFERRED FRANCHISEES**

**Terminated Franchises**

Total	Status	Company	End Date	Owner	City	State	Zip	Phone
		<b>Illinois</b>						
1	H - Mutual Release	Aussie Pet Mobile of Park Ridge	5/4/2023	L J Zehner, Inc.	Park Ridge	Illinois	60068	(224) 509-5578
		<b>Indiana</b>						
	H - Mutual Release	Aussie Pet Mobile of Greater Evansville	6/1/2023	MCMX3, LLC	Newburgh	Indiana	47630	(812) 499-5810
2	H - Mutual Release	Aussie Pet Mobile of West Indianapolis	3/31/2023	RADX4 Corporation	Westfield	Indiana	46074	(317) 520-1019
		<b>Maine</b>						
1	H - Mutual Release	Aussie Pet Mobile of Coastal/Southern Maine	9/1/2023	Pampered Paws, Inc.	Gorham	Maine	04038	(207) 358-0054

**4 Total**

**Transferred Franchises**

Total	Status	Company	End Date	Owner	City	State	Zip	Phone
		<b>California</b>						
1	G - Transfer 1. Owne	Aussie Pet Mobile of Walnut Creek	5/1/2023	Mobile Household Services, Inc.	Walnut Creek	California	94597	(925) 932-9559
		<b>Colorado</b>						
1	G - Transfer 1. Owne	Aussie Pet Mobile of Douglas County	6/1/2023	Paws Enterprises, Inc.	Castle Rock	Colorado	80109	(303) 434-6528
		<b>Florida</b>						
	G - Transfer 1. Owne	Aussie Pet Mobile of Fort Lauderdale	12/6/2023	Evrakada, LLC	Boca Raton	Florida	33433	(561) 962-1738
	G - Transfer 1. Owne	Aussie Pet Mobile of Boca Raton	12/6/2023	Evrakada, LLC	Boca Raton	Florida	33433	(561) 962-1738
	G - Transfer 1. Owne	Aussie Pet Mobile of Greater Orlando	10/1/2023	We Come to You Orlando Grooming, LLC	Clermont	Florida	32137	(407) 595-8798
4	G - Transfer 1. Owne	Aussie Pet Mobile of S.E. Orlando	10/1/2023	We Come to You Orlando Grooming, LLC	Clermont	Florida	32137	(407) 595-8798
		<b>Idaho</b>						
1	G - Transfer 1. Owne	Aussie Pet Mobile of Boise	12/1/2023	Bogart Red Enterprises, Inc.	Meridian	Idaho	83646	(208) 922-7500
		<b>Washington</b>						
1	G - Transfer 1. Owne	Aussie Pet Mobile of Edmonds	7/1/2023	Inpursuit Enterprises, Inc.	Seattle	Washington	98125	(206) 295-2734

**8 Total**



**EXHIBIT E**

**STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>ADDRESS</b>	<b>PHONE</b>
California - Los Angeles Department of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105	213-576-7500
California - Sacramento	1515 K Street, Suite 200 Sacramento, CA 95814-4017	916-445-7205
California - San Diego	1350 Front Street, Room 2034 San Diego, CA 92101-3697	619-525-4233
California - San Francisco	One Sansome Street, Suite 600 San Francisco, CA 94104-4428	415-972-8565
Hawaii - Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813-2921	808-586-2722
Illinois - Attorney General	500 South Second Street Springfield, IL 62706	217-782-4465
Indiana - Secretary of State	302 W. Washington Street Room E-111 Indianapolis, IN 46204	317-232-6681
Maryland - Administrator: Office of the Attorney General Securities Division	200 St. Paul Place, 20th Floor Baltimore, MD 21202-2020	410-576-6360

STATE	ADDRESS	PHONE
Agent for Service of Process: Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020	
Michigan - Department of Commerce, Corporations and Securities Bureau	525 W. Ottawa Street Lansing, MI 48913	517-373-7117
Minnesota - Minnesota Commissioner of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198	651-539-1600
New York Administrator: New York State Department of Law Investor Protection Bureau  Agent for Service of Process: Secretary of State	28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005  99 Washington Avenue Albany, NY 1223	212-416-8236  212-416-8211
North Dakota - North Dakota Securities Commissioner	600 East Boulevard Avenue, State Capital, 5th Floor Bismarck, ND 58505	701-328-2910
Oregon	Labor & Industries Building Salem, OR 97310	503-378-4387
Rhode Island - Department of Business Regulation	1511 Pontiac Avenue Cranston, RI 02920	401-462-9587
South Dakota - Director of Division of Securities	124 S. Euclid Ave., Suite 104 Pierre, SD 57501-3185	605-773-4823

STATE	ADDRESS	PHONE
Virginia - Clerk of the State Corporation Commission	1300 E. Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219-3630	804-371-9051
Washington - Director of Dept. of Financial Institutions	150 Israel Road, SW Tumwater, WA 98501	360-902-8760
Wisconsin	345 W. Washington Ave., 4th Floor Madison, WI 53703	608-266-8557

**EXHIBIT F**

**CONFIDENTIAL OPERATIONS MANUAL TABLE OF CONTENTS**

**AUSSIE PET MOBILE® Operations  
Manual**

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**EXHIBIT G**

**CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT**

## **CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT**

This Consent to Transfer and Assumption of Franchise Agreement (“Consent and Assumption”) is entered into by and among Aussie Pet Mobile, Inc., a California corporation (“APM”), \_\_\_\_\_ (“Existing Franchisee”), and \_\_\_\_\_ (“New Franchisee”).

WHEREAS, APM and Existing Franchisee presently are parties to that certain Franchise Agreement, dated \_\_\_\_\_ (“Franchise Agreement”), pursuant to which APM franchised Existing Franchisee the right to operate a business (“Franchised Business”) including the Marks of APM (“Franchise”) in the territory known as Aussie Pet Mobile® of \_\_\_\_\_ (“Territory”).

WHEREAS, with APM' consent, Existing Franchisee is transferring the Franchise to New Franchisee and New Franchisee is accepting the Franchise in accordance with the obligations set forth in the Franchise Agreement, including, but not limited to, the obligations regarding assignment set forth in paragraph 9.2 of the Franchise Agreement, which are hereby expressly incorporated and made a part of this Consent and Assumption.

NOW, THEREFORE, in consideration of the foregoing and of the covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Existing Franchisee shall transfer the Franchise to New Franchisee on or about \_\_\_\_\_ (“Transfer Date”) subject to the provisions of paragraph 3, below, and paragraph 9.2 of the Franchise Agreement.

2. Existing Franchisee will transfer physical possession to New Franchisee of all items required by the Franchise Agreement, including, without limitation, (i) all books, manuals, financial records, receipts, invoices, and documents relating to the Franchised Business; and (ii) all other documents, property and other objects containing the AUSSIE PET MOBILE® Marks. New Franchisee has reviewed the Confidential Operating Manual and agrees that it shall apply fully to its operation of the Franchised Business. New Franchisee agrees to abide by all other manuals and guidelines, present and future, of APM, including, but not limited to, those pertaining to advertising.

3. [Intentionally omitted]

4. If New Franchisee has not already done so to the satisfaction of APM, New Franchisee shall comply with the training requirements set forth in the Franchise Agreement by attending the next available training program offered by APM for new franchisees.

5. Concurrently upon the Transfer Date New Franchisee shall become a franchisee of



APM under the Franchise Agreement and Existing Franchisee shall immediately cease operating under the Franchise Agreement. Existing Franchisee shall thereupon comply with all provisions in the Franchise Agreement concerning termination set forth in Article 12 thereof, including, but not limited to, ceasing all use of the AUSSIE PET MOBILE® Marks.

6. As between Existing Franchisee and APM, and with the exception of the rights and obligations set forth in Article 12 of the Franchise Agreement (which is incorporated herein by reference), the franchise relationship created by the Franchise Agreement is hereby terminated and superseded by this Consent and Assumption and in all respects having been assumed by New Franchisee as of the Transfer Date. Existing Franchisee hereby waives all rights to relief from forfeiture and acknowledges that there is no subsisting franchise agreement between APM and existing Franchisee.

7. Existing Franchisee shall sign all documentation deemed necessary by APM to transfer the Franchise to New Franchisee.

8. New Franchisee shall sign APM's current form of franchise agreement for a new ten (10) year term. Upon signing of the current form of franchise agreement by New Franchisee, the Franchise Agreement shall be terminated and superseded by the franchise agreement signed pursuant to this Section 8.

9. (a) As consideration for APM and New Franchisee to enter into this Consent and Assumption, Existing Franchisee shall refrain from, either directly or indirectly, for [*itself or himself or herself or themselves*] or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or other entity, within the Territory, and from the date of this Agreement through [*two years from the Transfer Date*]:

- (i) Diverting or attempting to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or doing or performing, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the AUSSIE PET MOBILE® Marks and the System (as that term is defined in the Franchise Agreement);  
or
- (ii) Within, or within a 25 mile radius of, the Territory or the territory of any AUSSIE PET MOBILE® business in existence or under development as at the Transfer Date, owning, maintaining, engaging in, or having any interest in any business (including any business operated by Existing Franchisee prior to entry into this Agreement) that derives revenues from the direct or indirect retail sale of residential or commercial cleaning services or other products or services similar to those sold by Franchisor or any of its franchisees.

(b) The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Consent and Assumption. If all or any portion of a covenant in Paragraph 9(a) is held unreasonable or unenforceable by a court or agency

having valid jurisdiction in an unappealed final decision to which APM is a party, Existing Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph.

(c) The parties understand and acknowledge that APM shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraph 9(a) or any portion thereof effective immediately upon receipt by Existing Franchisee of written notice thereof from APM, and Existing Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

(d) Paragraph 9(a) shall not apply to ownership by Existing Franchisee of less than a one percent (1%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

10. New Franchisee shall resolve any problems or complaints raised by customers of Existing Franchisee with the same high standards of customer service, and in the same fashion, as New Franchisee responds to problems or complaints raised by customers of New Franchisee and shall not resolve such problems or complaints in a manner that is less advantageous to the customers of Existing Franchisee than the manner in which New Franchisee resolves problems or complaints from New Franchisee's own customers.

11. New Franchisee acknowledges that it has received the Confidential Operating Manual and other books and records of Existing Franchisee and has undertaken an independent investigation of the Franchised Business.

12. Existing Franchisee releases, indemnifies and agrees to hold harmless APM in respect of any liabilities which may arise as a result of this transfer.

13. Failure to comply with any of the provisions of this Consent and Assumption shall constitute a material breach hereof and shall entitle APM to any of the remedies provided in this Consent and Assumption or the Franchise Agreement, or as may be available at law or in equity.

14. Except as previously provided herein, as among the undersigned parties, each shall bear their respective costs and attorneys' fees incurred in connection with this Consent and Assumption, and events preceding its negotiation and signing.

15. In granting its consent to this Consent and Assumption, APM has elected not to exercise its right of first refusal as provided in paragraph 9.3 of the Franchise Agreement. Notwithstanding the foregoing, however, the Existing Franchisee shall have a period of 90 days after the date of signing of this Consent and Assumption to complete the transfer of the Franchise and the Existing Franchisee shall again be required to comply with Article 9 of the Franchise Agreement before the transfer can be effected.

16. Subject to applicable state law and with the express exception of any liability under

the Maryland Franchise Registration and Disclosure Law, in consideration for this Consent and Assumption, Existing Franchisee, for itself, its successors, assigns, and anyone claiming through or under it, hereby remises, releases, acquits and forever discharges APM, and its predecessors, successors, assigns, heirs, executors and administrators (as the case may be), and its past, present and future associates, owners, stockholders, agents, directors, officers, partners, employees, attorneys, accountants and representatives of and from any and all manner of action or actions, cause or causes of action, in law or in equity, arbitrations, suits, debts, agreements, promises, liabilities, claims, demands, damages, loss, cost or expense, known or unknown, fixed or contingent, which Existing Franchisee has or may hereafter have against APM by reason of any matter, cause or thing whatsoever, from the beginning of time to the date hereof, including all matters, causes or things whatsoever, that were or have been or could have in any way been alleged in any pleading filed in any arbitration proceeding or suit, which are related to the Franchise Agreement, except for those matters expressly excepted herein.

17. Existing Franchisee and New Franchisee have had adequate opportunity to obtain the advice of legal counsel prior to signing this Consent and Assumption. Existing Franchisee executes this Consent and Assumption voluntarily, with full knowledge of its significance, and with the express intention of effecting the extinguishment of all obligations, except as expressly excepted herein.

18. Except as expressly stated to the contrary herein, any dispute arising out of this Consent and Assumption shall be resolved pursuant to the provisions contained in Article 11 of the Franchise Agreement.

19. Although the Franchise Agreement provides that no interest in the Franchise Agreement can be transferred without the prior written consent of APM, New Franchisee acknowledges that APM does not represent or warrant that Existing Franchisee has not made any unauthorized prior transfers or otherwise has any interest free and clear to anything being transferred now. APM advises New Franchisee to conduct its own investigation to confirm that Existing Franchisee has the right to transfer the Franchise, and that Existing Franchisee has not made any transfer without consent from APM.

20. APM will be provided with a copy of the written sales agreement made by and between the Existing Franchisee and New Franchisee.

21. This Consent and Assumption may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute a single document. Each of the signatories below expressly covenants that he, she or it has the authority to enter into this Consent and Assumption.

IN WITNESS WHEREOF, the parties hereto have duly signed this Consent and Assumption on the dates set forth below, it being effective upon the latest of those dates.

CAUTION. THIS CONSENT AND ASSUMPTION CONTAINS IMPORTANT TERMS. READ BEFORE SIGNING.

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

AUSSIE PET MOBILE, INC.

By: \_\_\_\_\_  
Paul Ebert, President

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

EXISTING FRANCHISEE

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

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

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

NEW FRANCHISEE(S)

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

**EXHIBIT H**

**VETERANS ADDENDUM TO FRANCHISE AGREEMENT**

## VETERANS ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement (this “**Addendum**”) is entered into as of \_\_\_\_\_, 20\_\_, (“**Effective Date**”), between Aussie Pet Mobile, Inc., a California corporation (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Franchisee**”), to amend a Franchise Agreement intended to bear the same date as this Addendum (the “**Franchise Agreement**”), for a Territory in the state of \_\_\_\_\_ known as Aussie Pet Mobile® of \_\_\_\_\_ (“**Territory**”).

This Addendum amends some of the provisions of the Franchise Agreement to reflect the agreement between the parties as to fees payable under the Franchise Agreement. Any capitalized terms that are defined in the Franchise Agreement are used in this Addendum as defined in the Franchise Agreements.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

- 1. Initial Franchise Fee.** Section 4.1 of the Franchise Agreement is amended as follows:

*Concurrently with Franchisee’s signing of this Agreement, Franchisee will pay to Franchisor an “Initial Franchise Fee” of \$16,958. Franchisee will receive the AUSSIE PET MOBILE® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable.*

- 2. Territory Fee.** Section 4.2 of the Franchise Agreement is amended as follows:

*Concurrently with Franchisee’s signing of this Agreement, if Franchisee is purchasing the Territory from Franchisor (rather than an existing franchisee) Franchisee also will pay Franchisor a Territory Fee of \$34,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.*

- 3. Reaffirmation.** Except as specifically modified by this Addendum, all terms and provisions of the Franchise Agreements are reaffirmed in their entirety.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed on or as of the dates indicated below:

**FRANCHISOR**  
AUSSIE PET MOBILE, INC.

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

By: \_\_\_\_\_  
Paul Ebert, President

Sign here if Franchisee is an individual:

**FRANCHISEE**

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

\_\_\_\_\_

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

Sign here if Franchisee is a company:

**FRANCHISEE**

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

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

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

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

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

**EXHIBIT I**

**SECURED PROMISSORY NOTE**



**SECURED PROMISSORY NOTE**

Date: \_\_\_\_\_  
US\$ \_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned (hereinafter "Obligor"), hereby promises to pay to the order of AUSSIE PET MOBILE, INC., a limited liability company organized under the laws of California (hereinafter "Secured Party"), in such coin or currency of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, the principal sum of U.S. \$ \_\_\_\_\_, together with interest from and after the date hereof on the unpaid principal balance outstanding at the rate of 10% per annum.

This Secured Promissory Note (the "Note") is the Secured Promissory Note referred to in, and is issued pursuant to, that certain Security Agreement entered into by Obligor in favor of Secured Party, dated as of even date with the date hereof (hereinafter, as amended from time to time, the "Security Agreement"), and is entitled to all of the benefits and security of the Security Agreement. All of the terms, covenants and conditions of the Security Agreement are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms used herein, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Security Agreement.

In no event whatsoever shall the aggregate of all amounts deemed interest under this Note and charged or collected hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. If any provisions of this Note are in contravention of any such law, such provisions shall be deemed amended to conform thereto. Interest hereunder shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days.

For so long as no Event of Default shall have occurred the principal amount and accrued interest of this Note shall be due and payable on the dates and in the manner hereinafter set forth:

- (a) Principal and interest shall be due and payable monthly commencing on \_\_\_\_\_, 20\_\_, and continuing on the first day of each month thereafter to and including the first day of \_\_\_\_\_ 20\_\_, in installments of \$ \_\_\_\_\_ each; and
- (b) Notwithstanding the foregoing, the entire unpaid principal balance and accrued interest on this Note shall be due and payable immediately upon any acceleration of the Obligations pursuant to Section 6.2 of the Security Agreement or upon the purchase by Obligor of another HOME FRANCHISE CONCEPTS® brand franchise from any source.

Obligor may prepay this Note in whole or in part from time to time without penalty, but any principal payment must be accompanied by all interest then accrued, if any. Any partial

payments will be applied to discharge the principal sum payments in the inverse order in which any payments would otherwise become due. Additionally, Obligor may terminate the Security Agreement by paying in full all the Obligations due to Secured Party under this Note and as otherwise due to Secured Party under the Security Agreement, in cash.

Upon the occurrence of an Event of Default, Secured Party shall have all of the rights and remedies set forth in Section 6.2 of the Security Agreement.

Time is of the essence of this Note. To the fullest extent permitted by applicable law, Obligor, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and the benefit of any exemption or insolvency laws.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Secured Party in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Secured Party of any right or remedy preclude any other right or remedy. Secured Party, at its option, may enforce its rights against any collateral securing this Note without enforcing its rights against Obligor, any guarantor of the indebtedness evidenced hereby or any other property or indebtedness due or to become due to Obligor. Obligor agrees that, without releasing or impairing Obligor's liability hereunder, Secured Party may at any time release, surrender, substitute or exchange any collateral securing this Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Note.

This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of California, except that for purposes of the usury laws (and determining the maximum rate of interest allowable), this Note shall be governed by and construed and enforced in accordance with the laws of the state of Obligor's residence.

IN WITNESS WHEREOF, Obligor has caused this Note to be duly executed and delivered in \_\_\_\_\_, \_\_\_\_\_, on the date first above written.

Signature

Print Name

**EXHIBIT J**  
**GENERAL SECURITY AGREEMENT**

## GENERAL SECURITY AGREEMENT

This General Security Agreement dated as of \_\_\_\_\_ is entered into by \_\_\_\_\_ and \_\_\_\_\_ (collectively, "Pledgor") in favor of AUSSIE PET MOBILE, INC., a corporation organized under the laws of California ("Secured Party").

### WITNESSETH

WHEREAS, Pledgor has issued that certain Secured Promissory Note (the "Note") in favor of Secured Party, dated as of \_\_\_\_\_, pursuant to which Secured Party has or is about to make certain financial accommodations to Pledgor; and

WHEREAS, Secured Party has conditioned its providing said financial accommodations to Pledgor on Pledgor's granting a security interest in substantially all of its assets in favor of Secured Party to secure Pledgor's obligations to Secured Party under the Note;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

### SECTION 1. DEFINITIONS

All terms used herein which are defined in Article 1 or Article 9 of the Code (as hereinafter defined) shall have the meanings ascribed thereto in the Code unless otherwise defined in this Agreement. All references to Pledgor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1. Accounts

"Accounts" shall mean all present and future rights of Pledgor to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2. Code

"Code" means the California Uniform Commercial Code.

1.3. Equipment

"Equipment" shall mean all of Pledgor's now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.4. Event of Default

"Event of Default" shall have the meaning set forth in Section 6.1 hereof.

1.5. Financing Agreements

"Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements and other agreements, documents and instruments now or at any time hereafter executed or delivered by Pledgor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.6. GAAP

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied.

1.7. Inventory

"Inventory" shall mean all of Pledgor's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.8. Note

"Note" shall have the meaning set forth in the recitals hereto, as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.9. Obligations

"Obligations" shall mean any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Pledgor to Secured Party or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under the Note, this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Note, this Agreement or after the commencement of any case with respect to Pledgor under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party.

1.10. Person or person

"Person" or "person" shall mean any individual, sole proprietorship, limited liability company or partnership, partnership, corporation (including any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.11. Records

"Records" shall mean all of Pledgor's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Pledgor with respect to the foregoing maintained with or by any other person).

SECTION 2. GRANT OF SECURITY INTEREST

To secure payment and performance of all Obligations, Pledgor hereby grants to Secured Party a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Secured Party as security, the following property and interests in property, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

- (a) all Accounts,

- (b) all present and future contract rights, general intangibles (including tax and duty refunds, registered and unregistered patents, franchises, licenses, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as franchisor or franchisee, choses in action and other claims and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, letters of credit, bankers' acceptances and guaranties,
- (c) all present and future monies, securities, credit balances, deposits, deposit accounts and other property of Pledgor now or hereafter held or received by or in transit to any depository or other institution from or for the account of Pledgor whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including:
  - (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral,
  - (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party,
  - (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including returned, reposessed and reclaimed goods, and
  - (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors.
- (d) all Inventory,
- (e) all Equipment,
- (f) all Records, and
- (g) all products and proceeds of the foregoing, in any form, including insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

### SECTION 3. COLLATERAL COVENANTS

#### 3.1. Accounts Covenants

- (a) Secured Party shall have the right at any time or times, in Secured Party's name or in the name of a nominee of Secured Party, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise.

- (b) Pledgor shall deliver or cause to be delivered to Secured Party, with appropriate endorsement and assignment, with full recourse to Pledgor, all chattel paper and instruments which Pledgor now owns or may at any time acquire immediately upon Pledgor's receipt thereof, except as Secured Party may otherwise agree.
- (c) Secured Party may, at any time or times that an Event of Default exists or has occurred and is continuing,
  - (i) notify any or all account debtors that the Accounts have been assigned to Secured Party and that Secured Party has a security interest therein and Secured Party may direct any or all accounts debtors to make payment of Accounts directly to Secured Party,
  - (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations,
  - (iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Secured Party shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and
  - (iv) take whatever other action Secured Party may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Secured Party's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Party and are payable directly and only to Secured Party and Pledgor shall deliver to Secured Party such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Secured Party may require.

### 3.2. Inventory Covenants

With respect to the Inventory:

- (a) Pledgor shall at all times maintain inventory records reasonably satisfactory to Secured Party, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Pledgor's cost therefor and daily withdrawals therefrom and additions thereto,



- (b) Pledgor shall conduct a physical count of the Inventory at least once each year, but at any time or times as Secured Party may request on or after an Event of Default, and promptly following such physical inventory shall supply Secured Party with a report in the form and with such specificity as may be reasonably satisfactory to Secured Party concerning such physical count,
- (c) Pledgor shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Secured Party, except for sales of Inventory in the ordinary course of Pledgor's business and except to move Inventory directly from one location set forth or permitted herein to another such location,
- (d) upon Secured Party's request, Pledgor shall, at its expense, no more than once in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Secured Party and by an appraiser acceptable to Secured Party, addressed to Secured Party or upon which Secured Party is expressly permitted to rely,
- (e) Pledgor shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto),
- (f) Pledgor assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory,
- (g) Pledgor shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Pledgor to repurchase such Inventory,
- (h) Pledgor shall keep the Inventory in good and marketable condition, and
- (i) Pledgor shall not, without prior written notice to Secured Party, acquire or accept any Inventory on consignment or approval.

### 3.3. Equipment Covenants

With respect to the Inventory:

- (a) Upon Secured Party's request, Pledgor shall, at its expense, at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Equipment

in form, scope and methodology acceptable to Secured Party and by appraiser acceptable to Secured Party,

- (b) Pledgor shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted),
- (c) Pledgor shall use the Equipment with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws,
- (d) the Equipment is and shall be used in Pledgor's business and not for personal, family, household or farming use,
- (e) Pledgor shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Pledgor or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Pledgor in the ordinary course of business,
- (f) the Equipment is now and shall remain personal property and Pledgor shall not permit any of the Equipment to be or become a part of or affixed to real property, and
- (g) Pledgor assumes all responsibility and liability arising from the use of the Equipment.

#### 3.4. Power of Attorney

Pledgor hereby irrevocably designates and appoints Secured Party (and all persons designated by Secured Party) as Pledgor's true and lawful attorney-in- fact, and authorizes Secured Party, in Pledgor's or Secured Party's name, to:

- (a) at any time an Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing:
  - (i) demand payment on Accounts or other proceeds of Inventory or other Collateral,
  - (ii) enforce payment of Accounts by legal proceedings or otherwise,
  - (iii) exercise all of Pledgor's rights and remedies to collect any Account or other Collateral,
  - (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Secured Party deems advisable,

- (v) settle, adjust, compromise, extend or renew an Account,
  - (vi) discharge and release any Account,
  - (vii) prepare, file and sign Pledgor's name on any proof of claim in bankruptcy or other similar document against an account debtor,
  - (viii) notify the post office authorities to change the address for delivery of Pledgor's mail to an address designated by Secured Party, and open and dispose of all mail addressed to Pledgor, and
  - (ix) do all acts and things which are necessary, in Secured Party's determination, to fulfill Pledgor's obligations under this Agreement and the other Financing Agreements and
- (b) at any time to:
- (i) take control in any manner of any item of payment or proceeds thereof,
  - (ii) have access to any lockbox or postal box into which Pledgor's mail is deposited,
  - (iii) endorse Pledgor's name upon any items of payment or proceeds thereof and deposit the same in the Secured Party's account for application to the Obligations,
  - (iv) endorse Pledgor's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, and
  - (v) sign Pledgor's name on any verification of Accounts and notices thereof to account debtors, and
  - (vi) execute in Pledgor's name and file any UCC financing statements or amendments thereto. Pledgor hereby releases Secured Party and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Secured Party's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

### 3.5. Right to Cure

Secured Party may, at its option,

- (a) cure any default by Pledgor under any agreement with a third party or pay or bond on appeal any judgment entered against Pledgor,
- (b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and
- (c) pay any amount, incur any expense or perform any act which, in Secured Party's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Secured Party with respect thereto. Secured Party may add any amounts so expended to the Obligations and charge Pledgor's account therefor, such amounts to be repayable by Pledgor on demand. Secured Party shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Pledgor.

Any payment made or other action taken by Secured Party under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

### 3.6. Access to Premises

From time to time as requested by Secured Party, at the cost and expense of Pledgor,

- (a) Secured Party or its designee shall have complete access to all of Pledgor's premises during normal business hours and after notice to Pledgor, or at any time and without notice to Pledgor if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Pledgor's books and records, including the Records, and
- (b) Pledgor shall promptly furnish to Secured Party such copies of such books and records or extracts therefrom as Secured Party may request, and
- (c) Secured Party shall have the right to use during normal business hours such of Pledgor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

## SECTION 4. REPRESENTATIONS AND WARRANTIES

Pledgor hereby represents and warrants to Secured Party the following (which shall survive the execution and delivery of this Agreement):

#### 4.1. Chief Executive Office; Collateral Locations

The chief executive office of Pledgor and Pledgor's Records concerning Accounts are located only at the address set forth below and its only other places of business and the only other locations of Collateral, if any, are the addresses provided by Pledgor to Secured Party in writing prior to the date hereof, subject to the right of Pledgor to establish new locations in accordance with Section 5.1 below.

#### 4.2. Priority of Liens; Title to Properties

The security interests and liens granted to Secured Party under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 4.2 hereto. Pledgor has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Secured Party and such others as are specifically listed on Schedule 4.2 hereto.

#### 4.3. Accuracy and Completeness of Information

All information furnished by or on behalf of Pledgor in writing to Secured Party in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Pledgor, which has not been fully and accurately disclosed to Secured Party in writing.

#### 4.4. Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Secured Party on the date of any additional borrowing or other credit accommodation under any amendment, restatement, modification or substitution of the Note and shall be conclusively presumed to have been relied on by Secured Party regardless of any investigation made or information possessed by Secured Party. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Pledgor shall now or hereafter give, or cause to be given, to Secured Party.

### SECTION 5. AFFIRMATIVE AND NEGATIVE COVENANTS

#### 5.1. New Collateral Locations

Pledgor may open any new location within the continental United States provided  
Pledgor:

- (a) gives Secured Party ten (10) days prior written notice of the intended opening of any such new location and
- (b) executes and delivers, or causes to be executed and delivered, to Secured Party such agreements, documents, and instruments as Secured Party may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including UCC financing.

5.2. Insurance

Pledgor shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Secured Party as to form, amount and insurer. Pledgor shall furnish certificates, policies or endorsements to Secured Party as Secured Party shall require as proof of such insurance, and, if Pledgor fails to do so, Secured Party is authorized, but not required, to obtain such insurance at the expense of Pledgor. All policies shall provide for at least thirty (30) days prior written notice to Secured Party of any cancellation or reduction of coverage and that Secured Party may act as attorney for Pledgor in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Pledgor shall cause Secured Party to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Pledgor shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Secured Party. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Secured Party as its interests may appear and further specify that Secured Party shall be paid regardless of any act or omission by Pledgor or any of its affiliates. At its option, Secured Party may apply any insurance proceeds received by Secured Party at any time to the cost of repairs or replacement of Collateral or to payment of the Obligations, whether or not then due, in any order and in such manner as Secured Party may determine or hold such proceeds as cash collateral for the Obligations.

5.3. Costs and Expenses

Pledgor shall pay to Secured Party on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Secured Party's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to:

- (a) all costs and expenses of filing or recording (including all filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable, payable in connection any and all financing statements or fixture

filings necessary to perfect and continue perfected Secured Party's security interests in the Collateral),

- (b) all title insurance and other insurance premiums, appraisal fees and search fees,
- (c) costs and expenses of preserving and protecting the Collateral,
- (d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Secured Party, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Secured Party arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters), and
- (e) the fees and disbursements of counsel (including legal assistants) to Secured Party in connection with any of the foregoing.

#### 5.4. Further Assurances

At the request of Secured Party at any time and from time to time, Pledgor shall, at its expense, at any time or times duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Where permitted by law, Pledgor hereby authorizes Secured Party to execute and file one or more UCC financing statements signed only by Secured Party.

### SECTION 6. EVENTS OF DEFAULT AND REMEDIES

#### 6.1. Events of Default

The occurrence or existence of any of the following events (each an "Event of Default") shall occur and be continuing:

- (a) The Pledgor shall fail to pay any installment of principal or interest or any other amount payable under the Note when due; or
- (b) Any representation or warranty made by the Pledgor herein or by the Pledgor (or any of its officers) in connection with the Financing Agreements shall prove to have been incorrect in any material respect when made; or
- (c) The Pledgor shall fail to perform or observe any term, covenant or agreement

contained in this Agreement on its part to be performed or observed; or

- (d) The Pledgor shall default in the performance of or compliance with any term contained in any Financing Agreement other than this Agreement and such default shall not have been remedied or waived within any applicable grace period; or
- (e) The Pledgor shall
  - (i) fail to pay any principal of, or premium or interest on, any indebtedness, the aggregate outstanding principal amount of which is at least \$10,000 (excluding indebtedness evidenced by the Note), when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness, or
  - (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness or material to the performance, business, property, assets, condition (financing or otherwise) or prospects of the Pledgor when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument; or
- (f)
  - (i) the Pledgor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Pledgor shall make a general assignment for the benefit of its creditors; or
  - (ii) there shall be commenced against the Pledgor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unhandled for a period of thirty (30) days; or
  - (iii) there shall be commenced against the Pledgor any case, proceeding or other action seeking issuance of a warrant of



attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

- (iv) the Pledgor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) and (iii) above; or (v) the Pledgor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or
- (g) One or more judgments or decrees shall be entered against the Pledgor involving in the aggregate a liability (not paid or fully covered by insurance or reserves) equal to or greater than \$5,000 and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or
- (h) There shall be instituted against the Pledgor any proceeding for which forfeiture of any property is a potential penalty and such proceeding remains undismissed, undischarged or unbonded for a period of thirty (30) days from the date the Pledgor knows of such proceeding.

6.2. Remedies

- (a) At any time an Event of Default exists or has occurred and is continuing, Secured Party shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by Pledgor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Secured Party hereunder, under any of the other Financing Agreements, the Code or other applicable law, are cumulative, not exclusive and enforceable, in Secured Party's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by Pledgor of this Agreement or any of the other Financing Agreements. Secured Party may, at any time or times, proceed directly against Pledgor to collect the Obligations without prior recourse to the Collateral.
- (b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Secured Party may, in its discretion and without limitation,
  - (i) accelerate the payment of all Obligations and demand immediate payment thereof to Secured Party (provided that, upon the

occurrence of any Event of Default described in Section 6.1(f), all Obligations shall automatically become immediately due and payable),

- (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral,
- (iii) require Pledgor, at Pledgor's expense, to assemble and make available to Secured Party any part or all of the Collateral at any place and time designated by Secured Party,
- (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral,
- (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose,
- (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Secured Party or elsewhere) at such prices or terms as Secured Party may deem reasonable, for cash, upon credit or for future delivery, with the Secured Party having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Pledgor, which right or equity of redemption is hereby expressly waived and released by Pledgor. If any of the Collateral is sold or leased by Secured Party upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Secured Party. If notice of disposition of Collateral is required by law, ten (10) days prior notice by Secured Party to Pledgor designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Pledgor waives any other notice. In the event Secured Party institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Pledgor waives the posting of any bond which might otherwise be required.

- (c) Secured Party may apply the cash proceeds of Collateral actually received by Secured Party from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Secured Party may elect, whether or not then due. Pledgor shall remain liable to Secured Party for the payment of any deficiency with interest at the highest rate provided for in the Note and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

SECTION 7. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

7.1. Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

- (a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of California (without giving effect to principles of conflicts of law), except, that the laws of Pledgor's state of residence will apply to any determination of the maximum interest rate payable or the existence of usury.
- (b) Pledgor irrevocably consents and submits to the non-exclusive jurisdiction of the Superior Court of the State of California, County of Los Angeles and the United States District Court for the Central District of California and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected or related or incidental to the dealings of Pledgor and Secured Party in respect of this Agreement or the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above (except that Secured Party shall have the right to bring any action or proceeding against Pledgor or its property in the courts of any other jurisdiction which Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Pledgor or its property).
- (c) Pledgor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Secured Party's option, by service upon Pledgor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Pledgor shall appear in answer to such process, failing which Pledgor shall be deemed in default and judgment

may be entered by Secured Party against Pledgor for the amount of the claim and other relief requested.

- (d) PLEDGOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF PLEDGOR AND SECURED PARTY IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. PLEDGOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT PLEDGOR OR SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF PLEDGOR AND SECURED PARTY TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.
  
- (e) Secured Party shall not have any liability to Pledgor (whether in tort, contract, equity or otherwise) for losses suffered by Pledgor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the reputable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

## 7.2. Waiver of Notices

Pledgor hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Pledgor which Secured Party may elect to give shall entitle Pledgor to any other or further notice or demand in the same, similar or other circumstances.

### 7.3. Amendments and Waivers

Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

### 7.4. Indemnification

Pledgor shall indemnify and hold Secured Party, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Pledgor shall pay the maximum portion which it is permitted to pay under applicable law to Secured Party in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the other Financing Agreements. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

## SECTION 8. MISCELLANEOUS

### 8.1 Notices

- (a) All notices, requests and demands hereunder shall be in writing and made to Secured Party at Aussie Pet Mobile, Inc., c/o 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, and to Pledgor at the address set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and
- (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

8.2 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

8.3 Successors

This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Pledgor and its successors and assigns and inure to the benefit of and be enforceable by Secured Party and its successors and assigns, except that Pledgor may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Secured Party.

8.4 Entire Agreement

This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

IN WITNESS WHEREOF, Pledgor and Secured Party have caused these presents to be duly executed as of the day and year first above written.

Secured Party:  
AUSSIE PET MOBILE, INC.

By: Paul Ebert, President

Pledgor:

Sign here: \_\_\_\_\_

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

Sign here: \_\_\_\_\_

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

Address of Pledgor's Offices:

**EXHIBIT K**

**CONDITIONAL ASSIGNMENT OF FRANCHISEE'S TELEPHONE NUMBERS  
AND DOMAIN NAMES**

1. \_\_\_\_\_, doing business as an AUSSIE PET MOBILE® franchisee, (“Assignor”), in exchange for valuable consideration provided by AUSSIE PET MOBILE, INC. (“Assignee”), the receipt and sufficiency of which are hereby acknowledged, hereby conditionally assign to Assignee all telephone numbers, facsimile numbers, and domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its Franchised Business (the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_  
Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_

2. The conditional assignment will become effective automatically upon the termination or expiration of Assignor's franchise agreement. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of the Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this Assignment, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as Assignee, in effectuating this assignment.

**ASSIGNOR:**

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

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

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

**ASSIGNEE:**

**AUSSIE PET MOBILE, INC.**

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

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

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



**EXHIBIT L**

**ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION**

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

ABA# : \_\_\_\_\_

Acct. No.: \_\_\_\_\_

Acct. Name: \_\_\_\_\_

1. Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”) hereby authorizes AUSSIE PET MOBILE, INC. (“Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, and to make the following payments to Company under the Franchise Agreement for the Franchised Business located at: \_\_\_\_\_: (1) all Royalty fees; (2) all National Advertising Fees or other recurring fees; and (iii) and other fees due and owing under the Franchise Agreement. Franchisee acknowledges that Royalty and all other fees may be collected by Franchisor in the manner provided for in the Franchise Agreement. Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. Franchisee shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

**AGREED:**

**FRANCHISOR**

**FRANCHISEE**

**AUSSIE PET MOBILE, INC.**

\_\_\_\_\_

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

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

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

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

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

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

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

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

**EXHIBIT M**  
**TRAINER SERVICES AGREEMENT**

## TRAINER SERVICES AGREEMENT

This TRAINER SERVICES AGREEMENT, dated as of {date} (the "**Agreement**"), is entered into by and between Aussie Pet Mobile, Inc., a California corporation ("**APM**") and {Franchisee}, a {state} {entity} ("**Franchisee**" and, together with APM, the "**Parties**," and each, a "**Party**").

WHEREAS, the Parties are parties to an AUSSIE PET MOBILE® franchise agreement dated {date} (the "**Franchise Agreement**").

WHEREAS, Franchisee wishes to be engaged by APM as an independent contractor to provide groomer trainer services to APM on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Engagement as Groomer Trainer.

Subject to Franchisee meeting APM's eligibility requirements, APM will engage Franchisee as a Level 2 or Level 3 Trainer as hereinafter defined.

For purposes of this Section 1:

(a) "Level 2 Trainer" means a Trainer who has fulfilled all Level 2 Trainer eligibility requirements as set forth in Exhibit A and passed the Level 2 Trainer test.

(b) "Level 3 Trainer" means a Trainer who has fulfilled all Level 3 Trainer eligibility requirements as set forth in Exhibit A and passed the Level 3 Trainer interview.

2. Obligations of the Parties.

(a) Franchisee will be, or employ, a suitably qualified Level 2 or Level 3 trainer (the "**Trainer**").

(b) The Trainer will provide one-on-one "hands on" groomer training to Franchisee's groomer employees as well as new APM franchisees and/or their groomer employees. Training will take the form of ride-along instruction in a Customized Vehicle (as defined in the Franchise Agreement).

(c) APM will provide Franchisee with guidelines, curricula, operating standards, training, servicing and operating schedules for training services.

(d) Franchisee must accept all training days assigned and ensure Trainer performs all related training functions assigned, excepting only illness, emergencies and APM's normal holidays.

3. Compensation

As compensation for Franchisee's services under this Agreement to new APM franchisees and/or their groomer employees, Franchisee will receive from the franchisee who is being trained the sum of \$1,500 for 96 hours of training non-experienced groomers. Payment will be made within 15 days of conclusion of the training. No compensation will be paid for Franchisee's training of its own employees.

4. Relationship of the Parties

Franchisee is an independent contractor of APM, and this Agreement shall not be construed to create any association, partnership, joint venture, employee, or agency relationship between Franchisee and APM for any purpose. Franchisee has no authority (and shall not hold Franchisee out as having authority) to bind APM, and Franchisee shall not make any agreements or representations on APM's behalf without APM's prior written consent.

Without limiting the foregoing, Franchisee will not be eligible under this Agreement to participate in any vacation, group medical or life insurance, disability, profit sharing or retirement benefits, or any other fringe benefits or benefit plans offered by APM to its employees, and APM will not be responsible for withholding or paying any income, payroll, Social Security or other federal, state or local taxes, making any insurance contributions, including unemployment or disability, or obtaining worker's compensation insurance on Franchisee's behalf. Franchisee shall be responsible for, and shall indemnify APM against, all such taxes or contributions, including penalties and interest.

5. Indemnity

Franchisee will hold APM, its parents, affiliates and subsidiaries, and their respective directors, officers, employees, franchisees, agents and attorneys harmless from any claim, cost, liability, or expense (including reasonable attorney's fees and costs of defense) arising out of or in regard to any acts or omissions of Franchisee, the Trainer or any of Franchisee's agents or employees in connection with the services provided under this Agreement.

6. Term and Termination

The term of this Agreement will run coterminously with the Franchise Agreement. In the event of a termination of the Franchise Agreement, this Agreement will automatically terminate. Either party may terminate this Agreement at any time on thirty (30) days' written notice to the other or, in the case of breach, immediately by the non-breaching Party if such breach is not cured within seven (7) days after notice of the breach is delivered to the breaching Party.

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "Notice") must be in writing and addressed to the relevant Party at the address for notices set forth in the Frisco Franchise Agreement (or to such other address that may be designated by the receiving Party from time to time). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or

certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7(a).

(b) This Agreement and all related documents, and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of California, United States of America (including its statutes of limitations), without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of California. Service of process, summons, notice, or other document by certified mail in accordance with Section 7(a) will be effective service of process for any suit, action or other proceeding brought in any such court.

(c) This Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) This Agreement is personal to Franchisee. Franchisee may not assign, transfer, or delegate any or all of its rights or obligations under this Agreement without the prior written consent of APM.

(e) This Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

(f) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation and execution of this Agreement.

(g) This Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Agreement electronically shall be effective as delivery of an original executed counterpart of this Agreement.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

AUSSIE PET MOBILE INC.

By \_\_\_\_\_

Name:

Title:

{FRANCHISEE}

By \_\_\_\_\_

Name:

Title:

**EXHIBIT A**  
**TRAINER REQUIREMENTS**

**Level 2 Trainer**

Must be a full-time Aussie Pet Mobile Level1 Groomer for at least 6 months requirements:

1. Submit a portfolio of 25 before and after photographs of different dog breeds groomed and some cats.
2. Submit 5 written customer validations.
3. Franchisee must have all necessary grooming equipment for special services: Clipper-Vac, Furminator, Teeth Brushing, special shampoos and Pawdicure.

**Level 3 Trainer**

Must be a full time APM Level 2 trainer for at least 6 months (12 months total as an APM groomer) and meet the following requirements:

1. Submit an additional portfolio of 25 before and after photographs of different breeds of dogs and some cats. All photos must include haircuts.
2. Submit 10 written customer validations from clients whose pets received haircuts.
3. Must be reviewed by the President of Aussie Pet Mobile. Based on review of above materials, Aussie Pet Mobile will, at its sole discretion, elect to promote to a Level 3 trainer.

**EXHIBIT N**

**ADDENDUM TO FRANCHISE AGREEMENT – SECOND TERRITORY**



## ADDENDUM TO FRANCHISE AGREEMENT – SECOND TERRITORY

This Addendum to Franchise Agreement – Second Territory (this “**Addendum**”) is entered into by and between **AUSSIE PET MOBILE, INC.**, a California corporation, with its principal place of business at 19000 MacArthur Blvd, Suite 100, Irvine, California 92612 (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”).

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement intended to bear the same date as this Addendum for the AUSSIE PET MOBILE® territory known as \_\_\_\_\_ (the “**First Franchise Agreement**”).

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement intended to bear the same date as this Addendum for the AUSSIE PET MOBILE® territory known as \_\_\_\_\_ (the “**Second Franchise Agreement**”).

WHEREAS, in consideration for Franchisee purchasing two territories, the Territory Fee set forth in the Second Franchise Agreement is modified as more particularly set forth herein.

NOW, THEREFORE, Franchisor and Franchisee agree to amend the Second Franchise Agreement as follows:

1. **Territory Fee.** Section 4.2 of the Second Franchise Agreement is amended to read:

“If Franchisee is purchasing the Protected Territory from Franchisor (rather than an existing franchisee) Franchisee will also pay to Franchisor a Territory Fee of \$30,000. If Franchisee is a currently serving or honorably discharged member of the United States Armed Forces or the spouse of such a veteran, the Territory Fee is discounted to \$25,500. The Territory Fee is payable in a lump sum in lawful money of the United States of America and is fully earned upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.”

2. **Reaffirmation.** Except as specifically modified by this Addendum, all terms and conditions of the Franchise Agreements are reaffirmed in their entirety.

*[Signatures Follow]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement.

**AUSSIE PET MOBILE, INC.**

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

By: \_\_\_\_\_  
Paul Ebert, President

Sign here if Franchisee is an individual:

**FRANCHISEE**

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

\_\_\_\_\_

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

Sign here if Franchisee is a company:

**FRANCHISEE**

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

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

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

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

**EXHIBIT O**

**ADDENDUM TO FRANCHISE AGREEMENT – THIRD TERRITORY**

## ADDENDUM TO FRANCHISE AGREEMENT – THIRD TERRITORY

This Addendum to Franchise Agreement – Third Territory (this “**Addendum**”) is entered into by and between **AUSSIE PET MOBILE, INC.**, a California corporation, with its principal place of business at 19000 MacArthur Blvd, Suite 100, Irvine, California 92612 (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”).

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement intended to bear the same date as this Addendum for the AUSSIE PET MOBILE® territory known as \_\_\_\_\_ (the “**First Franchise Agreement**”).

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement intended to bear the same date as this Addendum for the AUSSIE PET MOBILE® territory known as \_\_\_\_\_ (the “**Second Franchise Agreement**”).

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement intended to bear the same date as this Addendum for the AUSSIE PET MOBILE® territory known as \_\_\_\_\_ (the “**Third Franchise Agreement**”).

WHEREAS, in consideration for Franchisee purchasing three territories, the Territory Fee set forth in the Third Franchise Agreement is modified as more particularly set forth herein.

NOW, THEREFORE, Franchisor and Franchisee agree to amend the Third Franchise Agreement as follows:

1. **Territory Fee.** Section 4.2 of the Third Franchise Agreement is amended to read:

“If Franchisee is purchasing the Protected Territory from Franchisor (rather than an existing franchisee) Franchisee will also pay to Franchisor a Territory Fee of \$30,000. If Franchisee is a currently serving or honorably discharged member of the United States Armed Forces or the spouse of such a veteran, the Territory Fee is discounted to \$25,500. The Territory Fee is payable in a lump sum in lawful money of the United States of America and is fully earned upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.

2. **Reaffirmation.** Except as specifically modified by this Addendum, all terms and conditions of the Franchise Agreements are reaffirmed in their entirety.

*[Signatures Follow]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement.

**AUSSIE PET MOBILE, INC.**

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

By: \_\_\_\_\_  
Paul Ebert, President

Sign here if Franchisee is an individual:

**FRANCHISEE**

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

\_\_\_\_\_

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

Sign here if Franchisee is a company:

**FRANCHISEE**

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

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

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

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

**EXHIBIT P**

**VAN SUPPORT AGREEMENT**

## VAN SUPPORT AGREEMENT

This VAN SUPPORT AGREEMENT, dated as of \_\_\_\_\_, 2024 (the "**Agreement**"), is entered into by and between Aussie Pet Mobile, Inc., a California corporation ("**APM**") and {Franchisee}, a {state} {entity} ("**Franchisee**" and, together with APM, the "**Parties**," and each, a "**Party**").

WHEREAS, the Parties are parties to an AUSSIE PET MOBILE® franchise agreement dated {date} (the "**Franchise Agreement**").

WHEREAS, pursuant to the Franchise Agreement, Franchisor provides a Van Support Program and Franchisee is required to pay to Franchisor a Van Support Fee for its participation in the Van Support Program.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Vehicle

This Agreement relates to vehicle {insert VIN} (the "Vehicle"). Upon the sale or transfer of the Vehicle to another franchisee of APM, this Agreement will be assigned to the new owner of the Vehicle.

2. Van Support Program

Franchisor will provide the Van Support Program ("**VSP**"). The VSP is a warranty management and support system to assist Franchisee work through and address certain repair issues that may arise with respect to the Vehicle or the Designated Equipment installed in the Vehicle.

3. Van Support Fee

Pursuant to the Franchise Agreement, for the Term of this Agreement, Franchisee will pay APM \$225 per month for the VSP.

4. Term and Termination

The term of this Agreement is seven (7) years commencing on delivery of the Vehicle to Franchisee (the "**Term**"). In the event of a termination of the Franchise Agreement, this Agreement will automatically terminate. In the event of a breach of this Agreement, the non-breaching Party may terminate this Agreement immediately, if such breach is not cured within seven (7) days after notice of the breach is delivered to the breaching Party.

5. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address for notices set forth in the Frisco Franchise Agreement (or to such other address that may be designated by the receiving Party from time to time). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 5(a).

(b) This Agreement and all related documents, and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of California, United States of America (including its statutes of limitations), without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of California. Service of process, summons, notice, or other document by certified mail in accordance with Section 6(a) will be effective service of process for any suit, action or other proceeding brought in any such court.

(c) This Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) This Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

(e) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation and execution of this Agreement.

(f) This Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Agreement electronically shall be effective as delivery of an original executed counterpart of this Agreement.

[SIGNATURES FOLLOW]



IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

AUSSIE PET MOBILE INC.

By \_\_\_\_\_

Name:

Title:

{FRANCHISEE}

By \_\_\_\_\_

Name:

Title:

**EXHIBIT Q**  
**STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below.

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller- assisted marketing plans.

**EXHIBIT R**

**RECEIPTS**

## RECEIPT (YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is Aussie Pet Mobile, Inc., located at 19000 MacArthur Blvd, Suite 100, Irvine, California 92612. Its telephone number is (949) 234 0680.

If Aussie Pet Mobile, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa requires that we give you this disclosure document at the first personal meeting. Michigan requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this disclosure document at the earlier of the first personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Aussie Pet Mobile, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit F. We authorize the agents listed in Exhibit F to this disclosure document to receive service of process for us.

The name, principal business address and telephone number of each franchise seller offering the franchise: Shawna Bergstrom, Aaron Cady, Bryan Cranfill, Craig Green, Lisa McGill, Troy Molen, Matt Newman, Ralph Rooney and Jessica Sproule, 19000 MacArthur Blvd., Suite 100, Irvine, CA 92612, (866) 813-9211; and \_\_\_\_\_.

Issuance Date: April 29, 2024

On \_\_\_\_\_, I received a disclosure document dated April 29, 2024, that included the following exhibits:

- |   |  |
|---|--|
| A: Franchise Agreement  | J: General Security Agreement  |
| B: Financial Statements   | K: Conditional Assignment of Franchisee's Telephone Numbers and Domain Names |
| C: List of Franchisees  | L: Electronic Funds Withdrawal Authorization                                 |
| D: List of Terminated or Transferred Franchisees                    | M: Trainer Services Agreement  |
| E: State Franchise Administrators and Agents for Service of Process | N: Addendum to Franchise Agreement - Second Territory                        |
| F: Operations Manual Table of Contents                              | O: Addendum to Franchise Agreement - Third Territory                         |
| G: Consent to Transfer and Assumption Of Franchise Agreement        | P: Van Support Agreement   |
| H: Veterans Addendum to Franchise Agreement                         | Q: State Effective Dates   |
| I: Secured Promissory Note  | R: Receipts  |

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name of Prospective Franchisee

You should retain this dated and signed Receipt for your records.

## RECEIPT (OUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is Aussie Pet Mobile, Inc., located at 19000 MacArthur Blvd, Suite 100, Irvine, California 92612. Its telephone number is (949) 234 0680.

If Aussie Pet Mobile, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa requires that we give you this disclosure document at the first personal meeting. Michigan requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this disclosure document at the earlier of the first personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Aussie Pet Mobile, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit F. We authorize the agents listed in Exhibit F to this disclosure document to receive service of process for us.

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| H: Veterans Addendum to Franchise Agreement                         | Q: State Effective Dates   |
| I: Secured Promissory Note  | R: Receipts  |

Signature of Prospective Franchisee

Print Name of Prospective Franchisee

You should return this dated and signed Receipt to Aaron Cady at 19000 MacArthur Blvd, Suite 100, Irvine, CA 92612, (949) 404 1100, [aaron.cady@gohfc.com](mailto:aaron.cady@gohfc.com)