

Pets Are Inn



FRANCHISE DISCLOSURE DOCUMENT

Pets Are Inn, Inc.
a Minnesota corporation
7831 East Bush Lake Road, Suite 200J
Edina, Minnesota 55439
Telephone Number (952) 944-8298
Website: www.petsareinn.com
Email: jplatt@petsareinn.com

The franchisee will engage in the business of owning and operating a business that provides an alternative pet boarding services under the PETS ARE INN mark.

The estimated total initial investment for a PETS ARE INN business ranges from \$74,250 to \$121,500, including \$66,500 to \$68,500 you must pay the Franchisor. If you elect to enter into a Territory Development Agreement for the right to open 2 PETS ARE INN businesses, your estimated total initial investment ranges from \$146,250 to \$227,000, including \$133,000 to \$137,000 you must pay the Franchisor.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact James Platt, at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439 [telephone number (952) 944-8298] or by email: jplatt@petsareinn.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission ("FTC"). You can contact the FTC at 1-888-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency 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.

The Issuance Date of this Franchise Disclosure Document is April 5, 2024.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 and territory development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in Minnesota. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Minnesota than in your own state.

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

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

To simplify the language in this Franchise Disclosure Document, “PAI”, “we”, “us”, or “our” means Pets Are Inn, Inc., the Franchisor. “You” or “your” means the person, corporation, limited liability company, partnership, or other business entity that buys the franchise. If you are a corporation, limited liability company, partnership, or other entity, these terms also include your shareholders, members, partners, and owners who must sign a personal guaranty agreeing to comply with all provisions of the Franchise Agreement.

PAI is a Minnesota corporation, incorporated July 23, 1992, which does business under the name of Pets Are Inn, Inc. and maintains its principal business address at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439, telephone number (952) 944-8298. PAI’s agents for service of process are listed in Exhibit B.

PAI does not have any parents, predecessors or affiliates required to be disclosed in this Item 1 other than Pets Are Inn LLC our affiliate who guarantees our obligations under the Franchise Agreement (“Guarantor”). Guarantor has the same business address as PAI.

PAI has never operated businesses of the type you will operate. However, V.I.P. Touch, Inc., an affiliate of ours, has been operating a Pets Are Inn business in Minnesota since October 1987. PAI has been offering Pets Are Inn franchises since July 1993. It stopped offering franchises during the Covid pandemic but recommenced franchise sales in Fall 2023. PAI has not offered and does not offer franchises in other lines of business.

PAI franchises the right to operate a pet boarding system under the Pets Are Inn mark and any other marks we may license to you (the “Business”). The Pets Are Inn franchise consists of a program developed specifically to board household pets (predominately dogs and cats) through a network of “Host Families” – people chosen by Pets Are Inn franchise owners to care for individual pets in their homes (the “System”). Boarding animals in private homes eliminates the need for a central boarding facility or a “typical” kennel. Pets are matched to a Host Family. Fastidious attention to detail and concern for the individual pet's health and well-being at all times characterize the Pets Are Inn System. You must operate the Business in accordance with our standards and operating procedures and sign our standard franchise agreement (the “Franchise Agreement”). PAI may also grant you the right to open two franchised Businesses in an area agreed to by PAI and you pursuant to the Territory Development Agreement at Exhibit F. You will sign the then-current franchise agreement and pay the then-current fees, including the initial franchise fee for each of these franchised Businesses to be operated in this area.

Your Business may be subject to numerous laws and governmental regulations that apply to businesses generally. In addition, certain states and local jurisdictions may have regulations relating to animal care and transport. It is possible that some type of licensing may be required to operate Pets Are Inn franchises in some areas. Licensing of Host Families may also be necessary in some jurisdictions. You are responsible for checking on the existence of these types of laws and regulations in your territory and complying with these laws and regulations. The cost of obtaining any necessary licenses and complying with all applicable laws will be your responsibility.

You will compete with other boarding services, most of which consist of standard kennel facilities, house sitters who go into peoples' homes, and any other pet sitting services that are available locally. In addition, the services you provide are often provided by friends, relatives and neighbors on an informal basis. The current market for pet boarding is developing.

ITEM 2 BUSINESS EXPERIENCE

President and Director: Ann S. Platt

Ms. Platt has been President and Director of PAI since its inception in July of 1992. From October 1, 1987 to the present, Ms. Platt has been co-owner and manager of V.I.P. Touch, Inc., located in Edina, Minnesota which operates a Pets Are Inn business in Minnesota.

Chief Executive Officer and Director: James E. Platt, Jr.

Mr. Platt has been Chief Executive Officer and Director of PAI since its inception in July of 1992. Mr. Platt is co-owner of V.I.P. Touch, Inc., located in Edina, Minnesota which operates a Pets Are Inn business in Minnesota. From July 1978 to the present, he has owned 1st American Realty, Inc., a Minnesota corporation, in Minneapolis, Minnesota.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Upon execution of the Franchise Agreement, you must pay the applicable initial franchisee fee of \$65,000 for your 1st Pets Are Inn franchise. This fee is payable when you sign the Franchise Agreement. The initial franchise fee is not refundable in whole or in part under any circumstances.

You may apply to PAI to enter into a Territory Development Agreement (“TDA”) in addition to the Franchise Agreement. The TDA, attached as Exhibit F, grants you a specific protected territory (the “Territory”) in which to establish 2 or more PETS ARE INN franchised Businesses. If we grant you a TDA, upon execution of the TDA, you must pay an initial lump sum non-refundable Territory Development Fee (“TDA Fee”). The TDA Fee is calculated by multiplying the number of franchised Businesses to be developed within your Territory times \$10,000 for the 1st and 2nd franchise businesses to be developed, and \$5,000 for each additional franchised Business to be developed. For example, if your TDA provides that you will open 4 franchised Businesses, the total TDA Fee will be \$30,000. \$10,000 of the TDA Fee will be credited against the initial franchise fee for each of the first two franchised Businesses you establish, and \$5,000

will be credited against the initial franchise fee for each of the other two franchised business you establish.

You will lose such TDA Fees for franchises you fail to open pursuant to the terms of the schedule and under the terms specified in the TDA. If PAI agrees to enter into a TDA with you, the numbers of locations, the geographic area or territory and the schedule of dates required for openings are negotiated and finalized in the TDA. See Item 12.

You must purchase all products and supplies that bear the PETS ARE INN logo from us the 1st time you use them. The estimated cost is \$1,500 to \$3,500 (see Item 8).

**ITEM 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks (References in parentheses are to the Franchise Agreement)
Continuing Fee (Note 1)	5% to 10% of Gross Sales, with a monthly minimum	Payable twice-monthly on the 17 th day of the month and on the 2 nd day of the next month	Gross Sales includes revenue of every kind and nature but does not include sales tax or use tax.
National Advertising Fee (Note 2)	1% of Gross Sales	Payable twice-monthly on the 17 th day of the month and on the 2 nd day of the next month	Fees are placed in an Advertising Fund managed by PAI.
Additional Training Fee (Note 3)	\$1,000 per person	10 days after billing	
Software Maintenance Fee	\$25 twice a month	Same due dates as Continuing Fee	This fee is for our maintenance of and your access to our proprietary software.
Interest	1-1/2% per month	Immediately upon billing	Payable only if you are delinquent in your payments to us.
Late Fee	Greater of 5% of delinquent amount or \$50	Immediately upon billing	Payable only if you are late in your payments to us.
Insufficient Funds Fee	\$25 for each dishonored payment	Immediately upon billing	Payable only if your check or electronic funds transfer to us does not clear.

Type of Fee	Amount	Due Date	Remarks (References in parentheses are to the Franchise Agreement)
Audit	Cost of Audit	30 days after billing	Payable only if audit shows an underpayment of 1% or more of Gross Sales for any period audited, or if audit is required due to your failure to submit reports to us.
Underpayment Penalty	3 times the amount of your underpayment	Immediately upon billing	If an audit reveals that you underpaid us for the Continuing Fees or any other fees, you must pay us 3 times the amount of your underpayment.
Manual Fee	\$5,000	Immediately upon billing	If you fail to return to us the Manuals upon termination or expiration of the franchise, you must pay this fee.
Attorney's Fees	Amount we incur	Immediately upon billing	Payable to PAI if PAI prevails in any action.
Insurance (Note 4)	\$675 per year	On demand	We collect this fee and pay it to the insurer on your behalf.
Indemnification	Varies	As incurred	You must reimburse PAI for any liability or cost incurred by it by reason of your operation of the Business.
Transfer (Note 5)	50% of the then-current franchise fee	Prior to consummation of transfer	Payable when you sell your franchise. No charge if franchise is transferred to a corporation that you control.
Renewal	10% of the then-current franchise fee	30 days on or before renewal date	

Type of Fee	Amount	Due Date	Remarks (References in parentheses are to the Franchise Agreement)
Reimbursement of State Taxes we Must Pay	Amount of taxes we must pay your state based on revenue or income we derive from you	On demand	If your state enacts legislation that requires us to pay taxes to your state based on revenue or income we derive from you, you must reimburse us in an amount to cover those taxes
Liquidated Damages	Varies depending upon when termination occurs (See Note 6)	On demand	Only payable if you improperly terminate the Franchise Agreement or we terminate the Franchise Agreement based upon your default.
Payment Fee	If you fail to pay us by EFT	On demand	Only payable if you refuse to pay us by electronic funds transfer.

All fees are imposed, collected and payable to PAI. All fees are nonrefundable. PAI intends to uniformly apply these fees to all franchisees.

You must make all payments to us by means of electronic fund transfer (“EFT”) or such other means as we require. You must cooperate with us and provide us the necessary forms and authorizations to initiate EFTs from your bank account, including signing the EFT Form attached to the Franchise Agreement.

Note 1. You will pay to PAI a monthly Continuing Fee to be the greater of the following:

- 10% of first \$5,000 of monthly Gross Sales;
- 7.5% of the next \$5,000 of monthly Gross Sales;
- 5% of all monthly Gross Sales in excess of \$10,000;

You pay the monthly Continuing Fee as follows:

- On or before the 17th day of each month for business transacted from the 1st to the 15th of the month or 50% of required minimum continuing fee, whichever is greater; and
- On or before the 2nd day of each month for the preceding calendar month for the business transacted from the 16th to the end of the month or 50% of required minimum continuing fee, whichever is greater.

Continuing Fees Under Territory Development Agreement

If you have entered into a TDA at the same time as you sign the Franchise Agreement, you pay Continuing Fees on your 1st franchised Business according to the schedule and computation set forth above in this Note 1.

When and if you open your 2nd and subsequent franchised Businesses, under a TDA, the Continuing Fee are the same percentages as stated above with the exception that the Continuing Fee percentages are based on total aggregate Gross Sales from all your franchised Business.

Note 2. You will pay a monthly National Advertising Fee equal to 1% of Gross Sales. On or before the 17th day of each month for business transacted from the 1st to the 15th of the month and on or before the 2nd day of each month for the preceding calendar month for the business transacted from the 16th to the end of the month.

Note 3. We do not charge you for the first 2 persons who attend the initial training program. If you send more than 2 persons to the initial training, or subsequently send employees, you must pay this fee. (Section 12.A)

Note 4. You must purchase insurance meeting our specifications. Currently the annual premium is \$675. We collect this fee and pay it to the insurer on your behalf. The first year's premium for you is included in the Franchise Initial Fee

Note 5. If the Franchise Agreement is assigned, transferred or bequeathed to another person or entity, or if a controlling interest in the franchise is transferred to another person or entity, then you will pay PAI a transfer fee equal to 50% of the then applicable initial franchise fee. If it is a transfer of an entire TDA to a single purchaser, the transfer fee will be 50% of the then applicable initial franchise fee for the first Territory, and \$1,000 for each additional territory. If the transfer of the TDA involves the sale of separate territories to different purchasers, then the transfer fee applicable to each territory is 50% of the then applicable initial franchise fee.

Note 6. If the franchised Business has been open for 12 months at the time of termination you pay an amount determined by (a) taking the average monthly Gross Sales of the Business over the last 12 months before termination, and multiplying this amount by the applicable Continuing Fee percentages, and multiplying the resulting amount by the lesser of 36 or the number of full months remaining in the term of the Franchise Agreement, plus (b) taking the average monthly Gross Sales of the franchised Business over the last 12 months, and multiplying this amount by the National Advertising Fee percentage, and multiplying the resulting amount by the lesser of 36 or the number of full months remaining in the term of the Franchise Agreement.

If the franchised Business has opened but has not been operating as a Pets Are Inn Business for 12 months before the date of termination you pay an amount determined by, (a) determining the average monthly Gross Sales of the franchised Business over the period the franchised Business has been operating, and multiplying this amount by the applicable Continuing Fee percentages, and multiplying the resulting amount by 36, plus (b) the average monthly Gross Sales over the period the franchised Business has been operating, multiplied by the National Advertising Fee percentage, and multiplied by 36. You must also pay taxes on these amounts.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Unit Franchise

YOUR ESTIMATED INITIAL INVESTMENT FOR YOUR FIRST PETS ARE INN FRANCHISED BUSINESS				
TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT DUE
Initial Franchise Fee (Note 1)	\$65,000	Lump sum	At signing	PAI
Initial Advertising Fee (Note 2)	0 to \$7,500	Lump sum	60 days of signing	PAI
Real Estate and Improvements (Note 3)	0 to \$2,500	Lump sum	As arranged	Vendors, contractors
Mini Van (Note 4)	\$1,750 to \$30,000	As arranged	As arranged	Vendors, Lessors
Insurance (Note 5)	\$500 to \$1,000	Included in Franchise Fee	Beginning with the 2 nd year	PAI or approved vendor
Supplies and Printing (Note 6)	\$1,500 to \$3,500	Lump sum	At signing	PAI or approved vendor
Boarding Supplies (Note 7)	\$500 to \$2,000	Lump sum	As arranged	Approved vendors
Expenses incurred attending Training in Minneapolis (Note 8)	\$500 to \$1,000	Lump sum	As incurred	Airlines, car rental agencies, restaurants
Computer Equipment and Software (Note 9)	\$2,500 to \$5,000	Lump sum	At signing	Vendors
Additional Funds (Note 10)	\$2,000 to \$4,000	As incurred	As incurred	Varies
Totals	\$74,250 to \$121,500	Various	Various	Various

NOTES:

- (1) See Item 5.
- (2) Although we recommend that you spend at least \$7,500 to advertise the opening of your business we do not require it.
- (3) You will have costs for real estate leasehold improvements if the following applies:
 - (a) You have signed a TDA or
 - (b) You do not live in your geographic territory

Otherwise, you will be able to operate from your home assuming it is zoned to comply with applicable law and it is located in your Territory. In this case, you will not incur real estate or leasehold improvement costs.

- (4) The Mini-Van vehicle you will use in your Business must meet our specifications, including that it is wrapped as we require. You must purchase the vehicle. If you already have a van that meets our specifications you may use it. If you finance the purchase of a van, the estimated monthly payment is \$350 to \$650. If you purchase a used or new van, the estimated cost is \$10,000 to \$30,000. The low estimate assumes you finance the purchase of a van at a monthly rental of \$350 and covers first and last months' rent plus three months' rent, and the high estimate assumes you purchase a new van.
- (5) You must purchase from our sole provider insurance meeting our requirements. Currently you must purchase commercial general liability insurance (\$4,000,000 aggregate, \$2,000,000 each occurrence) with the following additional coverages in the following amounts: personal and advertising injury (\$2,000,000); medical expense – one person (\$10,000); damages to premises (\$300,000); auto liability (\$1,000,000); products/completed operations (\$4,000,000 aggregate); animal bailee coverage extension (\$50,000 per claim, \$50,000 policy limit). The first year's premium for this insurance is included in the Initial Franchise Fee.
- (6) You must purchase a minimum of:

500 Letterhead, 1000 Envelopes, 1000 Business Cards, 1000 PAI Brochures, 1000 PAI Price Sheet, 500 About My Visit Cards, 500 Confirmation Cards, 500 Thank You Cards, 125 PAI Pet Bags, 250 Anniversary Stickers, 250 Book Marks, 25 Bessie's Tail Video, 500 Owner Contracts, 500 Host Family Contracts, 500 Coupons, 500 Refrigerator Magnets, 250 Announcement Cards, 30 Host Family Guideline Manuals, Vehicle Sign Package, 100 Pet ID Tags, and 1,000 Plastic Cable Ties.

See Item 8 for required purchases from us for logoed items.
- (7) You must purchase 2 dog kennels, 2 cat carriers, 5 dog leads, 2 leashes, 4 choker chains, 4 cat litter trays, and 8 dog bowls.

- (8) PAI will furnish hotel accommodations during training for you (1 person). You will pay for costs incurred for transportation and meals.
- (9) You must have computer equipment and maintain internet access. You must have an operating printer. You must purchase PAI approved software packages designed to assist you in your day-to-day business operations.
- (10) This estimate covers estimated operating costs including additional supplies, fuel, rent, other initial costs and expenses for the first 3 months. It does not include Continuing Fees or other fees you would owe us. It also excludes payroll costs and an owners salary. These figures are estimates. Your costs will depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales levels reached during the initial period of operation.

We have compiled these estimates based on the experience of our affiliate-owned business in Edina Minnesota, as well as the general knowledge of PAI's officers concerning establishment of these businesses since 1987. You should review these figures carefully with a business or financial advisor before making any decision to purchase a franchise.

Territory Development

YOUR ESTIMATED INITIAL INVESTMENT FOR TWO PETS ARE INN FRANCHISED BUSINESSES				
TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT DUE
Option Fee (Note 1)	\$20,000	Lump sum	At signing of TDA	PAI
Initial Franchise Fee (Note 2)	\$110,000	Lump sum	At signing	PAI
Initial Advertising Fee (Note 3)	\$0 to \$7,500	Lump sum	60 days of signing	PAI
Real Estate and Improvements (Note 4)	\$2,500	Lump sum	As arranged	Vendors, contractors
Mini Vans (Note 5)	\$4,500 to \$60,000	As arranged	As arranged	Vendors, Lessors
Insurance (Note 6)	\$1,000 to \$2,000	Included in Franchise Fee	Beginning with the 2 nd year	PAI or approved vendor
Supplies and Printing (Note 7)	\$3,000 to \$7,000	Lump sum	At signing	PAI or approved vendor

Boarding Supplies (Note 8)	\$1,000 to \$8,000	Lump sum	As arranged	Approved vendors
Expenses incurred attending Training in Minneapolis (Note 9)	\$500 to \$1,000	Lump sum	As incurred	Airlines, car rental agencies, restaurants
Computer Equipment and Software (Note 10)	\$1,750 to \$5,000	Lump sum	At signing	Vendors
Additional Funds (Note 11)	\$2,000 to \$4,000	As incurred	As incurred	Varies
Totals	\$146,250 to \$227,000	Various	Various	Various

NOTES:

This table is based on a TDA to develop 2 franchised Businesses in the Territory you and PAI agree upon at the time you sign the TDA. If you decide to develop the second Business at a later time the costs above with the exception of the Options Fee may be more.

- (1) See Item 5. If we grant you the right to develop 2 locations under the TDA you would pay an Option Fee of \$20,000.
- (2) Although the Initial Franchise Fee is \$65,000 PAI would credit \$10,000 of the Option Fee you paid against each of the Initial Franchise Fees you would pay under the Franchise Agreements. If you do not sign two Franchise Agreements at the time you sign the TDA the initial franchise fee for the second franchised Business will be the then-current initial franchise fee stated in the then-current franchise agreement at the time of signing. See Item 5.
- (3) Although we recommend that you spend at least \$7,500 to advertise the opening of your businesses we do not require it.
- (4) For a TDA, you must have an office outside of your home.
- (5) The estimates above are for 2 Mini-vans as you must have at least 1 van per franchised Business. The Mini-Vans you will use in your Businesses must meet our specifications, including that they are wrapped as we require. If you finance the purchase of a van, the estimated monthly payment is \$350 to \$650. If you purchase a used or new van, the estimated cost is \$10,000 to \$30,000. The low estimate assumes you finance the purchase of 2 vans at a monthly rental of \$350 and covers first and last months' rent plus three months' rent for each vehicle, and the high estimate assumes you purchase two new vans.
- (6) You must purchase from our sole provider insurance meeting our requirements. Currently you must purchase commercial general liability insurance (\$4,000,000 aggregate, \$2,000,000 each occurrence) with the following additional coverages in the

following amounts: personal and advertising injury (\$2,000,000); medical expense – one person (\$10,000); damages to premises (\$300,000); auto liability (\$1,000,000); products/completed operations (\$4,000,000 aggregate); animal bailee coverage extension (\$50,000 per claim, \$50,000 policy limit). The first year's premium for this insurance is included in the Initial Franchise Fee so it is not accounted for in this chart.

- (7) For each franchised Business, you must purchase a minimum of:

500 Letterhead, 1000 Envelopes, 1000 Business Cards, 1000 PAI Brochures, 1000 PAI Price Sheet, 500 About My Visit Cards, 500 Confirmation Cards, 500 Thank You Cards, 125 PAI Pet Bags, 250 Anniversary Stickers, 250 Book Marks, 25 Bessie's Tail Video, 500 Owner Contracts, 500 Host Family Contracts, 500 Coupons, 500 Refrigerator Magnets, 250 Announcement Cards, 30 Host Family Guideline Manuals, Vehicle Sign Package, 100 Pet ID Tags, and 1,000 Plastic Cable Ties.
- (8) For each franchised business, you must purchase 2 dog kennels, 2 cat carriers, 5 dog leads, 2 leashes, 4 choker chains, 4 cat litter trays, and 8 dog bowls. The low estimate assumes you have 2 Territories, and the high estimate assumes you have 6 Territories.
- (9) PAI will furnish hotel accommodations during training for you (1 person). You will pay for costs incurred for transportation and meals.
- (10) You must have computer equipment and maintain internet access. You must have an operating printer. You must purchase PAI approved software packages designed to assist you in your day-to-day business operations. Our estimates assume you will be using the same computer equipment and software to operate in both territories.
- (11) This estimate covers your anticipated business operating costs including additional supplies, fuel, rent, and other initial costs and expenses for the first 3 months. It does not include Continuing Fees or other fees you would owe us. It also excludes payroll costs and an owners salary. These figures are estimates. Your costs will depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales levels reached during the initial period of operation.

We have compiled these estimates based on the experience of our affiliate owned business in Edina, Minnesota, as well as the general knowledge of PAI's officers concerning establishment of these businesses since 1987. You should review these figures carefully with a business or financial advisor before making any decision to purchase a franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase all products and supplies that bear the PETS ARE INN logo from us the 1st time you use them. After that, you may purchase such items from us or from a vendor approved by us.

You must access PAI's proprietary software via the Internet. You must also purchase insurance from our sole approved supplier. We have a sole supplier of printing supplies, and a sole supplier of magnets.

We do not approve or disapprove suppliers (except for suppliers who produce items that bear our logo), only the items themselves.

As of the date of this Franchise Disclosure Document, there are no other goods, services, supplies, fixtures, equipment, inventory, computer systems or real estate which you must purchase from us, any designees, or approved or recommended suppliers. However, we reserve the right to require you to purchase items from us or our designated source in the future.

In our fiscal year ended December 31, 2023 we received approximately \$9,614 in revenue from franchisee purchases and leases of products and services or approximately 9.1% of our total revenues of approximately \$105,197. We have not derived any revenue or other material consideration from your purchases or leases from suppliers other than PAI. However, we reserve the right to derive revenue or other material consideration from your purchases from suppliers or designated source in the future. This information was taken from our internal financial records.

We also reserve the right to require that other items be purchased exclusively from us or our designees. In that event we or our designees may derive revenue and profits from said purchases. We also have the right to impose a surcharge on approved suppliers.

There are no approved suppliers in which any of PAI's officers or directors have an ownership interest.

We may in the future negotiate arrangements with suppliers for the purchase of products, supplies and equipment. We reserve the right to arrange with suppliers to pay a rebate to us or a contribution to the Advertising Fund from purchases made by you.

Purchases and leases which must be made in accordance with our specifications or from suppliers approved by us represent approximately 50% to 90% of your total purchases in establishing your franchised Business and approximately 20 to 40% of your total expenses in operating the franchised Business.

We will provide you standards and specifications upon request. We may modify the standards and specifications. If you propose to purchase or lease any equipment, fixtures, furniture, computer hardware or software, signs, decor items, materials, products, supplies or services not previously approved by us, you must submit a written request to us for approval before your use of the item. We will consider any request by you for approval of a modification of a standard or specification. If we request you to do so, you must also submit to us sufficient specifications, photographs and/or other information or samples for examination. We will communicate to you within a reasonable time (not to exceed 30 days) our determination on whether we approve the item for your use. We may charge you a reasonable amount to cover our expenses in testing or inspecting any item, which shall not be more than \$500.

The insurance policies you must purchase and maintain throughout the term of the franchise must meet our specifications and must be purchased from our sole provider as discussed

above. Currently, you must purchase commercial general liability insurance (\$4,000,000 aggregate, \$2,000,000 each occurrence) with the following additional coverages in the following amounts: personal and advertising injury (\$2,000,000); medical expense – one person (\$10,000); damages to premises (\$300,000); auto liability (\$1,000,000); products/completed operations (\$4,000,000 aggregate); animal bailee coverage extension (\$50,000 per claim, \$50,000 policy limit). We can require you to obtain different or additional kinds of insurance and may increase the amount of coverage required.

**ITEM 9
FRANCHISEE'S OBLIGATIONS**

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

Franchise Agreement

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Section 3, 13	Item 11
b. Pre-opening purchase/lease	Section 3	Item 8
c. Site development and other pre-opening requirements	None	Items 6, 7 and 11
d. Initial ongoing training	Section 12	Item 11
e. Opening	Section 3 and 13	Item 11
f. Fees	Sections 2, 5, 6, 7, 9, 12, 18 and 25	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 2, 4, 11, 13	Item 11
h. Trademark and proprietary information	Sections 4, 11, 21, Confidentiality Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 13	Item 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quota	None	None
l. Ongoing product/service purchases	Section 13	Item 8
m. Maintenance, appearance and remodeling requirements	Section 13	None
n. Insurance	Section 14	Item 6
o. Advertising	Sections 7, 8, 13	Item 6
p. Indemnification	Section 4, 13, 14, 17	None

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
q. Owner's participation/management staffing	Section 13	Item 15
r. Records/reports	Sections 16, 19	Item 6
s. Inspection/audits	Section 10	Items 6 and 11
t. Transfer	Section 18	Item 17
u. Renewal	Section 2	Item 17
v. Post-termination obligations	Section 21	Item 17
w. Non-competition Covenants	Section 23	Item 17
x. Dispute/Dispute Resolution	Sections 25	None

Territory Development Agreement (TDA)

OBLIGATION	SECTION IN TDA	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
a. Site Selection and acquisition/lease	Sections 3, 4	Items 11, 12
b. Pre-opening purchases/leases	None	None
c. Site development and other pre-opening requirements	Section 4	Items 7, 11
d. Initial and ongoing training	None	None
e. Opening	Section 4	Item 11
f. Fees	Sections 1, 3, 7	Items 5, 6, 7, 8, 11
g. Compliance standards/Operations Manual	None	Not Applicable
h. Trademarks and proprietary information	None	Not Applicable
i. Restrictions on products/services	None	Not Applicable
j. Warranty and customer service requirements	None	Not Applicable
k. Territorial development	Section 4	Item 12
l. Ongoing product/service purchases	None	Items 8, 16
m. Maintenance, appearance and remodeling	None	Not Applicable
n. Insurance	None	Not Applicable
o. Advertising	None	Not Applicable
p. Indemnification	None	Not Applicable
q. Owner's participation management/staffing	None	Item 15

OBLIGATION	SECTION IN TDA	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
r. Records/reports	None	Not Applicable
s. Inspections/audits	None	Not Applicable
t. Transfer	Section 7	Not Applicable
u. Renewal	None	Not Applicable
v. Post-termination obligations	Section 6	Item 17
w. Non-competition covenants	Section 5	Item 17
x. Dispute resolution	Section 11	Not Applicable

**ITEM 10
FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. We and our affiliates have the right to sell, assign or discount to a third party all or part of any amounts you may owe to us or to our affiliates.

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

Except as listed below, PAI is not required to provide you with any assistance.

Before you open your franchised business, PAI will:

- (1) disclose its standard operating procedures and furnish a copy of the Operations Manual containing all the necessary information in operating the business (Section 11 of Franchise Agreement);
- (2) provide you with a list of necessary equipment and supplies for a Pets Are Inn business (Section 13) of Franchise Agreement). We do not provide these items directly to you;
- (3) provide you access to our proprietary software (Section 11 of Franchise Agreement);
- (4) provide our initial training program as described below (Section 12 of Franchise Agreement); and
- (5) sell to you products and supplies that bear the PETS ARE INN logo (Section 13 of Franchise Agreement).

During the operation of the franchised Business, PAI will:

- (1) provide ongoing consultation and training for the duration of the Franchise Agreement (Section 12 of Franchise Agreement);
- (2) provide updates to the Operations Manual from time to time (Section 11 of Franchise Agreement); and
- (3) offer for purchase various products and supplies bearing the Marks (Section 13 of Franchise Agreement).

We have no obligation to develop products or services you will offer, to hire or train you or your employees (except as discussed below), to improve or develop your franchised Business, to establish prices for your products or services, to establish or use administrative, bookkeeping, accounting or inventory control procedures or resolve operating problems you may encounter (although we will provide consultation to you in the operation of your franchised Business as discussed above).

We have no obligation to advertise your Business.

Advertising Council. We have the right to form an advertising council composed of franchisees and our representatives, and the right to determine how such council will be selected, funded and governed.

National Advertising. You must pay us a National Advertising Fee of 1% of your Gross Sales. The National Advertising Fee is due at the same time your Continuing Fee is due, based on the Gross Sales of your Business. All our franchisees must pay the National Advertising Fee. Businesses we or our affiliates operate will not contribute to this Fund.

We will conduct national advertising for the Pets Are Inn system. This advertising is usually disseminated through the print media. But we may also advertise via direct mail, electronic and online advertising, radio or television. The coverage of the media may be local, regional, or national in scope. We may create advertising in-house or use national, regional or local agencies.

We account for National Advertising Fees separately. Advertising Fees will be placed in an Advertising Fund we manage. Disbursements from the Advertising Fund will be made for the payment of expenses incurred in connection with the general promotion of the Marks and the System including the cost of formulating, developing and implementing advertising and campaigns; and the cost of administering the Advertising Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to PAI's employees engaged in administration of the Advertising Fund. In addition to the above, we may use monies in the Advertising Fund for the creation, production and placement of advertising; to pay for agency costs and commissions; to pay the costs to create and produce video, audio and written advertisements; to pay for direct mail and other media advertising, including internet advertising, internet search engine campaigns and the cost to maintain and update our website, web pages, social media and social networking sites, profiles and accounts and for the costs of search engine optimization; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities; and the cost to produce marketing materials.

At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Advertising Fund in the prior year but it will not be audited.

If all National Advertising Fees are not spent in the fiscal year in which they accrue, the monies are simply rolled over for use in the next year. Any interest the Fund earns will be used for advertising before we use any principal.

For the fiscal year ended December 31, 2023 100% of the expenditures from the National Advertising Fund were for maintenance and upgrades to the Pets Are Inn website.

We are not required to spend any amount in your market. We do not guarantee that advertising expenditures from the Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. It is our responsibility to determine how these monies are spent. We are not required to use monies in this Fund to benefit any individual market. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises, but we may use monies in the Fund to update and administer our website, which may contain information on franchise opportunities.

Advertising by Franchise Owner. Although we recommend that you perform local advertising to advertise your franchised Business we do not require you to perform this advertising.

Local Marketing Cooperatives. Although we can require you to, we do not currently require our franchisees to participate in a local or regional advertising cooperative. If we do, we will define the area of membership of the cooperative and determine how much you must contribute to the cooperative. If we establish a cooperative in a market serviced by other Pets Are Inn businesses we or our affiliates own, these businesses will participate in the cooperative. We will administer any cooperatives. The cooperatives will not operate from governing documents nor will they prepare annual or periodic financial statements. We can form, change, dissolve or merge these cooperatives at any time.

Computer Equipment. There are no point of sale systems or cash registers. You must have a computer with internet access and a printer. We do not specify brand, operational specifications, capacity, or other requirements regarding your computer equipment. You will access PAI's proprietary software via the Internet. The estimated cost of your computer, internet access, printer and software is from \$2,500 to \$5,000 (see Item 7). You pay us a Software Maintenance Fee for the use of our proprietary software and our ongoing maintenance of the software (see Item 6). Other than this fee, we are not aware of any other annual cost for any optional or required maintenance, updating, upgrading or support contracts for your hardware or software. Neither we, nor any affiliate or third party has an obligation to provide ongoing maintenance, repairs, upgrades or upgrades to your computer hardware or software, other than our obligation to maintain the software. You must upgrade and update your computer systems during the term of your Franchise Agreement as we require and there are no contractual limitations on the frequency and cost of the obligation. Although we may in the future, we do not have independent access to the information that will be generated or stored in your computer systems.

Operations Manual. The Table of Contents for the current Pets Are Inn Operations Manual is attached as Exhibit G. As of the date of this Franchise Disclosure Document, the Operations Manual contains 324 pages.

Site Location. We do not provide you any assistance in locating a site or negotiating the purchase or lease of that site. The responsibility for locating and choosing a site from which to operate the Franchised Business is yours. The site must be located within the Territory. The only criterion for our approval of your site is that it be located within the Territory. We do not conform your site to local ordinances or building codes or provide and required permits. We do not construct, remodel or decorate your site.

Time of Opening. The typical length of time between the signing of the Franchise Agreement and the commencement of your Pets Are Inn business is 1 to 2 months. The factors that may affect this time period include your ability to attend the initial training program described below. You must open your franchised Business within 120 days of signing your Franchise Agreement (Section 13A of the Franchise Agreement). If you do not, we may terminate your Franchise Agreement and retain any amounts you have paid to us.

Training. The Pets Are Inn initial training program is conducted at our headquarters in the Minneapolis, Minnesota metropolitan area or such other location designated by PAI. Your attendance for all training programs is mandatory. You may, at your discretion, invite one additional person designated to be a manager for the business to attend the training program. However, any training that is requested by you for more than 2 persons must be scheduled and arranged with us in advance, and is subject to our Additional Training Fee (see Item 6). All travel, lodging and meal costs incurred in connection with your attendance and that of any others your bring to training shall be your sole responsibility. After successfully completing the training program to our satisfaction, you can train new managers locally (using the Pets Are Inn Operations Manual as a guide), although you will have the option of sending employees to PAI's regularly scheduled training sessions.

The training consists of both hands on, experiential learning, and classroom instruction. The training period is 6 days.

The training program is conducted within 60 days after the signing of the Franchise Agreement or at the first available convenient time for you. Jim Platt and/or Ann Platt, who are disclosed in Item 2 of this Franchise Disclosure Document, are responsible for conducting the training program. Each trainer has at least 5 years of experience in the subject being taught. One or more local franchise owners may contribute their special expertise and experience as well.

The following is the chart of our current training program.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING
Operations Manual	1	0
Marketing	1.25	0
Demographics	1.5	0
Pricing and Profitability	1.5	0
Host Families	3.5	0
Accounting	2.5	0
Computer Know-how	2.25	0
Scheduling	1	0
Pets	2	0
Insurance	1	0
Contracts/ Independent Contractors	1	0
Networking	2.5	0
Business Review	1.25	0
Pets Are Inn In Action	0	3
Role Playing	2.25	0
Total Hours	24.5	3

The instructional materials for the training program are included in our Operations Manual.

We may offer ongoing training and refresher programs in the form of regional training programs, annual meetings, regional meetings, study groups, and conventions. You must attend all annual conventions at your cost. You must also attend at least 75% of all scheduled meetings on an annual basis, including the annual meeting. You are responsible for your costs of travel and accommodations.

Other than discussed above we do not provide any training to you or your employees.

**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.

You will be granted a territory to operate your franchised Business that will usually be delineated by city boundaries or highways. You will select your business location within your territory subject to our approval. Your territory will contain at least 10,000 “Eligible Households.” An Eligible Household is one that has an income that is at least 40% higher than the median income

for the zip codes in your Territory. Before the execution of the Franchise Agreement, a map and written description of the territory will be provided to you and will be attached to the Franchise Agreement.

During the term of the Franchise Agreement, we will not operate or establish another franchise to operate a Pets Are Inn business providing pet boarding services that is physically located in your territory. Other than this limitation there are no prohibitions on us in your territory. For example, we can operate or allow others to operate similar or identical businesses within the territory if such businesses do not operate under the Pets Are Inn trademark, and to operate similar or identical business outside of your territory under any trademarks even if the businesses compete with your Business in your territory. We can also operate or allow others to operate businesses inside the territory under the Pets Are Inn mark so long as the businesses are not competitive with your Business. We can sell any products we or our affiliates provide to you for use in your Business to any person, whether in or outside your territory. We can sell or grant third parties the right to sell goods or services competitive with those sold by your Business under the Pets Are Inn mark or otherwise through other distribution channels including the Internet, catalog sales, telemarketing or other direct marketing, in and outside of your territory. We can acquire businesses in the territory that are similar to your Business or sell our business whether through a sale of assets or stock to anyone, regardless whether they operate or franchise the operation of businesses similar to your Business. We will not pay you any compensation for soliciting or accepting orders in your territory.

We cannot unilaterally change your territory and the continuation of your territorial rights is not dependent upon sales volume, market penetration or other contingency. Your territory cannot be modified except by mutual agreement of the parties.

The TDA, Exhibit F, grants you a specific development territory within which you must open your franchised Businesses. The size and boundaries for the development territory will vary depending on the number of businesses that we approve you to develop, demographics and population, geographic area, natural boundaries and access to streets and highways, neighborhood character, and other factors. There is no minimum development territory size and the exact size of each territory varies based on the applicable factors. You do not have the right to change your development territory. You will sign our then-current form of Franchise Agreement for each Business you develop and open under the TDA, which may contain materially different terms and conditions than the Franchise Agreement attached to this Disclosure Document as Exhibit E. If you fail to open the Franchises within the schedule and under the terms specified in the TDA, we have the right to terminate your TDA.

As long as you and your affiliates are in compliance with the TDA and any other agreements between us or our affiliates and you or your affiliates, then during the term of the TDA, we will not operate or establish another franchise to operate a Pets Are Inn business that provides pet boarding services that is physically located in your territory. However, this right will terminate upon the earlier of the opening of the last Business under this Agreement or the last date by which this Business was required to be open. Other than this limitation there are no other prohibitions on us in your development territory. We may exercise all of the rights that we now reserve in the Franchise Agreement (as described above). Upon termination or expiration of the Development Agreement, regardless of the reason, we may operate or grant to third parties the right to operate

pet boarding businesses under any trademarks in the development territory, or engage in any other activities within or outside your development territory, despite any rights you previously had, subject only to your or your rights under any Franchise Agreement then in effect.

You may not use alternative distribution channels to make sales anywhere.

We cannot unilaterally change your development territory and you have no options, rights of first refusal or similar rights to acquire additional franchises in any other locations.

ITEM 13 TRADEMARKS

Under the Franchise Agreement, you have the right to operate an alternative boarding service under the name “Pets Are Inn” and any related trademarks, service marks, and logos (“Marks”). We registered the service mark “PETS ARE INN” on the Principal Register of the United States Patent and Trademark Office on July 26, 2011 as Registration No. 4,001,885. We also registered the design/logo (dog reclining in a beach chair) on the Principal Register of the United States Patent and Trademark Office on July 26, 2011 as Registration No. 3,989,775.

There are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending interference, opposition, or cancellation proceedings involving any of the Marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks. There is no pending material federal or state court litigation regarding our use or ownership rights in any Mark. All required affidavits and renewal applications have been filed.

In the event of any infringement of, or challenge to, your use of the Marks, you must immediately notify us. We will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of the claim, suit, or demand regarding the use of the name. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U. S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark.

We may change the Marks and require you to adopt new marks as if they were part of the Franchise Agreement at the time you sign it. You must comply with these changes immediately after we notify you that we have discontinued, modified or changed one or more of the Marks and pay any costs related to the discontinuance, modification or other change. We will have no liability or obligation because of the discontinuation, modification or change.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We claim copyright protection in our Operations Manual and related materials used in the operation of your Pets Are Inn franchise. Such copyrights have not been registered with the Copyright Office of the Library of Congress. You may use the Manuals and materials during the term of your Franchise Agreement.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrighted materials. Furthermore, there are no infringing uses actually known to us which could materially affect your use of the copyrighted materials. We have no obligation under any agreement to protect or defend its copyrights.

No other patents or copyrights are material to the franchise.

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

If you are an individual, you must personally directly supervise and participate in the franchised Business. If you are a corporation or limited liability company, the direct, on-site supervision must be done by a person who owns at least 50% of the equity ownership of such entity. However, after the franchised Business has been in operation at least 2 years, it may be under the supervision of a full-time manager approved by us, provided the manager's identity has been disclosed to us, he or she has successfully completed our initial training program, and he or she devotes full time to the operation of the Franchised Business.

The manager need not have an ownership interest in the Pets Are Inn franchise or in a corporate or partnership franchisee. The manager must sign a Confidentiality Agreement (attached as Exhibit E to the Franchise Agreement) to maintain confidentiality of the trade secrets described in Item 14.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer boarding services for domestic, household pets. You may only offer the goods or services that we approve. We may add additional goods or services that you must offer.

You are not restricted as to the customers to whom you may provide boarding services. However, all pets boarded by you must be appropriate for home placement; i.e., pets must not have any history of biting or viciousness. You may not at any one time care for more pets, including any pets you may own, than otherwise allowed under applicable law. This restriction also applies to your host families and any other third parties who may be caring for pets on your behalf.

ITEM 17
RENEWALS, TERMINATION, TRANSFER AND
DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

Franchise Agreement (Unit)

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.A	10 years.
b. Renewal or extension of the term	Section 2.B	Additional terms of 5 years each.
c. Requirements for Franchisee to renew or extend	Sections 2.B and 2.C	Written notice of 180 days before end of Franchise Agreement that you are going to renew, complied with material terms of Franchise Agreement and satisfied our operating and quality standards, pay all money owed to us and have done so in a timely manner, sign new agreement, make all upgrades and updates we require and pay a renewal fee equal to 10% of the then-current initial franchisee fee, due 30 days before renewal date. The renewal franchise agreement may contain materially different terms and conditions than your original franchise agreement including different fees and territory.
d. Termination by Franchisee	Section 20	If we violate any material provision, term or condition of the Franchise Agreement, you can terminate if we fail to cure the breach within 90 days after you give us notice of the breach.
e. Termination by PAI without cause	None	Not applicable
f. Termination by PAI with cause	Section 19	PAI can terminate only if franchisee defaults.
g. "Cause" defined – curable default	Section 19.A	Certain defaults are curable and you will have 30 days to cure (10 days for monetary defaults).

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Section 19.B	You repeatedly fail to comply with one or more requirements of the Franchise Agreement, nature of your breach makes it not curable, you deceive customers as to the source, nature or quality of goods or services sold and any falsification of reports of PAI, fail to maintain insurance coverage, you sell your Business without complying with the Franchise Agreement, NSF checks, you become insolvent or file bankruptcy, fail to operate the Business, make a material representation to us, conviction of or plea of guilty to a felony or charge relating to the Business, revoke the EFT payment method we require, repeated defaults, failure to cure a default materially impairing the marks.
i. Franchisee's obligations on termination/ nonrenewal	Section 21	Stop operating business, return Operations Manual and any other manuals, deidentify and comply with all post-term obligations. Obligations include complete identification and payment of amounts due (see also "r" below).
j. Assignment of Franchise Agreement by PAI	Section 18.A	No restriction on our right to assign.
k. "Transfer" by Franchisee - definition change	Section 18	Includes transfer of Franchise Agreement or assets or ownership.
l. Franchisor's approval of transfers by Franchisee	Section 18.C	We have the right to approve all transfers but will not withhold our consent if all the requirements for a transfer are met.
m. Conditions for Franchisor's approval of transfer	Section 18.C	All of your obligations under the Franchise Agreement have been satisfied, transferee franchisee qualifies, training completed by new franchisee, new franchisee executes the then-current Franchise Agreement; transfer fee paid.
n. Franchisor's right to first refusal to acquire Franchisee's business	None	Not applicable
o. Franchisor's option to purchase Franchisee's business	None	Not applicable
p. Death or disability of Franchisee	Section 18.C	All of your obligation under the Franchise Agreement have been satisfied, you agree to perform all post-term obligations, new franchisee is personally liable to us, new franchisee meets our requirements, training completed by new franchisee, new franchisee executes the then-current Franchise Agreement; transfer fee paid.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 23.A	No involvement in in a pet boarding, pet transportation, pet sitting, or other competitive business. No diversion of customers.
r. Non-competition covenants after the term of the franchise	Section 23.B	No involvement in a pet boarding, pet transportation, pet sitting, or other competitive business for 2 years within your former territory, including your former location or within 60 miles of your former territory or any other Pets Are Inn territory. No diversion of customers.
s. Modification of the agreement	Section 25.G	No modifications without consent by all parties except manuals subject to change.
t. Integration/merger clause	Section 25.G and 25.H	Only the terms of the Franchise Agreement and representations in this disclosure document are binding (subject to applicable state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 25.E	Mediation in Minneapolis, Minnesota.
v. Choice of forum	Section 25.F	In most cases, litigation must be brought in state or federal courts located in Hennepin County, Minnesota (subject to applicable state law; see applicable State addendum).
w. Choice of law	Section 25.F	Minnesota law generally applies (subject to applicable state law; see applicable State addendum).

Territory Development Agreement (TDA)

Provision	Section in Territory Development Agreement	Summary
a. Length of the TDA term	None	Not applicable
b. Renewal or extension of the term	None	Not applicable
c. Requirements for Franchisee to renew or extend	None	Not applicable
d. Termination by Franchisee	None	Not applicable
e. Termination by PAI without cause	None	Not applicable
f. Termination by PAI with cause	Section 6	PAI can terminate only if Developer defaults.
g. "Cause" defined – curable defaults	Section 6	Cross default with Franchise Agreement.

Provision	Section in Territory Development Agreement	Summary
h. “Cause” defined –non-curable defaults	Section 6(d)	Failure to meet development schedule, including failure to timely open Business, bankruptcy, unauthorized transfer, non-curable default set forth in the Franchise Agreement.
i. Franchisee’s obligations on termination/nonrenewal	Section 6	Your individual franchised Businesses are not automatically terminated even if your TDA is terminated.
j. Assignment of TDA by PAI	Section 17	No restriction on our right to assign.
k. “Transfer” by Franchisee - definition change	Section 7	Any attempted assignment or other transfer of the TDA.
l. Franchisor’s approval of transfers by Franchisee	Section 7	PAI has right to approve all transfers.
m. Conditions for Franchisor’s approval of transfer	Section 7	None Franchisor has sole right to approve.
n. Franchisor’s right to first refusal to acquire Franchisee’s business	None	Not applicable
o. Franchisor’s option to purchase Franchisee’s business	None	Not applicable
p. Death or disability of Franchisee	None	Not applicable
q. Non-competition covenants during the term of the franchise	None	Not applicable
r. Non-competition covenants after the term of the franchise	None	Not applicable
s. Modification of the agreement	Section 10	Requires written agreement by both parties.
t. Integration/merger clause	Section 10	Only the terms of the TDA and representations in this disclosure document are binding (subject to applicable state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 11	Mediation in Minneapolis, Minnesota.

Provision	Section in Territory Development Agreement	Summary
v. Choice of forum	Section 12	In most cases, litigation must be brought in state or federal courts located in Hennepin County, Minnesota (subject to applicable state law; see applicable State addendum).
w. Choice of law	Section 12	Minnesota law generally applies (subject to applicable state law; see applicable State addendum).

**ITEM 18
PUBLIC FIGURES**

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

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

STATEMENT OF 2023 GROSS REVENUE OF PETS ARE INN BUSINESSES

The following are statements of gross revenues for all Pets Are Inn businesses that were operated for the entire 12 month period ended December 31, 2023. The first chart shows the results of one company-owned business and the second chart shows the results of 4 franchised businesses. We have provided this gross revenue information based on information provided by the businesses. We have not verified the information provided by the franchised businesses.

The results below were not achieved in the first year of operation. There are no material or operational characteristics of any of these businesses that are reasonably anticipated to differ materially from operational franchise outlets.

The gross revenue of the company-owned business discussed above for 2023 was \$342,059. This business operated in two territories in the Minneapolis, Minnesota southern metropolitan area.

The gross revenues of the 4 franchised businesses are set forth in the chart below:

Franchised Business Location	2023 Gross Revenue
Dallas, Texas (3 territories)	\$131,692
Bucks County, Pennsylvania (2 territories)	\$437,415
Minneapolis, Minnesota (West/North Metro) (1 territory)*	\$208,323
St. Paul Minnesota (St. Paul and Northwest Metro) (1 territory)*	\$193,986

* Each of these businesses are owned by the same franchisee.

“Gross revenue” used in this Item 19 was determined consistent with the definition in the Franchise Agreement for Gross Sales. Amounts have been rounded to the nearest dollar.

These figures only represent gross revenues. These figures exclude from gross revenues, sales tax and refunds. These gross revenue figures do not reflect the cost of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue figures to calculate net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Pet Are Inn business. Franchisees or former franchisees listed in this Disclosure Document may be one source of this information.

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you’ll earn as much.

Written substantiation for the financial performance representations made in this Item 19 will be made available to you upon request.

Other than as set forth above, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchise businesses. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you are purchasing an existing business, however, we may provide you with the actual records of that business. 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 James Platt, at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439; (952) 944-8298, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
LIST OF OUTLETS**

**Table No. 1
Systemwide Outlet Summary
For years 2021 to 2023¹**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	6	5	-1
	2022	5	4	-1
	2023	4	4	0
Company-Owned ²	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	7	6	1
	2022	6	5	1
	2023	5	5	0

1. All numbers are as of December 31 of the applicable year.
2. This business is owned by an affiliate of PAI.

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023¹**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

1. All numbers are as of December 31 of the applicable year.

Table No. 3
Status Franchised Outlets
For years 2021 to 2023¹

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
Hawaii	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
Minnesota	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Pennsylvania	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	6	0	0	0	0	1	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4

1. All numbers are as of December 31 of the applicable year.

Table No. 4
Status of Company-Owned Outlets
For years 2021 to 2023^{1,2}

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Minnesota	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

1. All numbers are as of December 31 of the applicable year.
2. This business is owned by an affiliate of PAI.

Table No. 5
Projected Openings As Of December 31, 2023

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Minnesota	0	0	0
Totals	0	0	0

A list of the names, addresses and telephone numbers of all of Pets Are Inn franchisees as of December 31, 2023 is attached as Exhibit C.

Exhibit D lists the name and last known home address and telephone number of every franchisee (none) who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document. There are no franchisees on this exhibit.

There have been no agreements containing confidentiality clauses signed with franchisees in the last 3 fiscal years. We did not have any franchisees who signed confidentiality clauses with us during the last 3 fiscal years that would prevent them from speaking openly about their experiences with us. There are no trademark-specific franchisee organizations associated with the franchise system offered in this Franchise Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A is the audited balance sheet of our guarantor, Pets Are Inn LLC as of February 29, 2024. Pets Are Inn LLC guarantees our performance under the Franchise Agreement and other related documents. A copy of the guaranty is attached at Exhibit A.

ITEM 22

CONTRACTS

Attached are the following contracts:

- | | |
|-----------|---------------------------------|
| Exhibit E | Franchise Agreement |
| Exhibit F | Territory Development Agreement |
| Exhibit I | State Addendum (if applicable) |

**ITEM 23
RECEIPTS**

You will find copies of a detachable receipt at the very end of this Disclosure Document. Please sign both receipt pages and return one to us.

EXHIBIT A

FINANCIAL STATEMENTS AND GUARANTY OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, **PETS ARE INN LLC**, a Minnesota limited liability company (the “Guarantor”), located at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439, absolutely and unconditionally guarantees to assume the duties and obligations of **PETS ARE INN, INC.**, located at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement and Territory Development Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement and Territory Development Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement and Territory Development Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement and Territory Development Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Minneapolis, Minnesota, on the 5th day of April 2024.

GUARANTOR:

PETS ARE INN LLC

By: 

Name: James E. Platt, Jr.

Title: Chief Executive Officer

Pets Are Inn LLC

FINANCIAL STATEMENTS

As of February 29, 2024, and for the Year Then Ended

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Statement of Cash Flows	6
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DJJCPA

DJJCPA, LLC

1660 Lincoln Street, Suite 2620
Denver, CO 80264

303.346.2600
Fax 720.542.9628
www.djjcpa.com

INDEPENDENT AUDITOR'S REPORT

Owner and Management
Pets Are Inn LLC
7831 East Bush Lake Rd, Suite 200J
Edina, Minnesota 55439

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pets Are Inn LLC which comprise the balance sheet as of February 29, 2024, and the related statement of income, statement of owner's equity, and statement of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pets Are Inn LLC as of February 29, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pets Are Inn LLC 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pets Are Inn LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.



DJJCPA, LLC
Denver, Colorado
February 29, 2024

Pets Are Inn LLC
Balance Sheet

	<u>February 29,</u> <u>2024</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 1,000
Total Current Assets	<u>1,000</u>
Total Assets	<u><u>\$ 1,000</u></u>
<u>Liabilities and Owner's Equity</u>	
Total Liabilities	<u><u>\$ -</u></u>
Owner's Equity	
Contributed capital	\$ 1,000
Total Owner's Equity	<u><u>\$ 1,000</u></u>
Total Liabilities and Owner's Equity	<u><u>\$ 1,000</u></u>

See Independent Auditor's Report and Notes to Financial Statements

Pets Are Inn LLC
Statement of Income

	For the Year Ended February 29, 2024
Income	\$ -
Total Income	-
Expenses	-
Total Expenses	-
Net Operating Income	-
Other Income (Expense)	-
Total Other Income (Expense)	-
Net Income	\$ -

See Independent Auditor's Report and Notes to Financial Statements

Pets Are Inn LLC
Statement of Owner's Equity

	Contributed Capital			Total Owner's Equity
	Ownership Percentage	Owner's Equity	Retained Earnings	
Beginning Balance, January 1, 2023	-	\$ -	\$ -	\$ -
Contributions	100%	1,000	-	1,000
Net income	-	-	-	-
Ending Balance, February 29, 2024	100%	\$ 1,000	\$ -	\$ 1,000

See Independent Auditor's Report and Notes to Financial Statements

Pets Are Inn LLC
Statement of Cash Flows

	For the Year Ended February 29,
	2024
Cash Flows from Operating Activities	
Net Income	\$ -
Cash Provided by (Used in) Operating Activities	-
Cash Flows from Investing Activities	
Capital Contributions	1,000
Cash Provided by (Used in) Investing Activities	1,000
Cash Flows from Financing Activities	-
Cash Provided by (Used in) Financing Activities	-
Net Increase (Decrease) in Cash	1,000
Cash at Beginning of Year	-
Cash at End of Year	\$ 1,000
Cash Paid During the Year For:	
Interest	\$ -
Income Taxes	\$ -

See Independent Auditor's Report and Notes to Financial Statements

Pets Are Inn LLC
Notes to Financial Statements
As of February 29, 2024, and for the Year Then Ended

1. Organization and Nature of Business

General Overview

Pets Are Inn LLC (the "Company") was organized under the laws of the State of Minnesota January 24, 2024, a limited liability company for operations beginning 2024. The Company acts as a guarantor to a national franchisor's obligations relating to the selling franchises under an alternative pet lodging brand. The Company's principal office is in Edina, Minnesota.

The Company is owned 100% by James E. Platt, Jr as of February 29, 2024. Ann E. Platt is the sitting President and Director, James E Platt is the sitting Chief Executive Officer and Director.

The Company is to derive its revenues from one-time franchising fees, recurring marketing fees, recurring royalty, development, and other fees.

As of February 29, 2024, the start-up company has no financial activity to report as it is still a start-up. However, the Company's operators have 32 years of experience with this business model and are positioned to grow its sales to additional franchisees across various states in 2024.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

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

Concentration of Credit Risk

The Company is to maintain its cash in bank deposit accounts within the federally insured limit. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

Pets Are Inn LLC
Notes to Financial Statements
As of February 29, 2024, and for the Year Then Ended

2. Significant Accounting Policies (continued)

Reclassifications

None noted as of February 29, 2024.

Cash and Cash Equivalents

The Company established an initial cash balance of \$1,000 on February 14, 2024.

Franchise Fees Receivable

The Company will assess an interest fee of 1-1/2% per month for receivable franchise fees past due.

Property and Equipment

Depreciation is to be computed using the straight-line method over the estimated useful lives of the assets in service. Additions and betterments are to be capitalized, whereas costs of maintenance and repairs are to be charged to expense as incurred.

Advertising Costs

Advertising costs will be recorded as incurred, the Company plans to have advertising and marketing expenditure covered through advertising fees. Advertising fees are payable twice a month, once on the 17th day of every month and once on the 2nd day of every month. National advertising fees are payable by the franchisee at a rate of 1% of recorded gross revenue.

Income taxes

The Company has elected to be treated as a partnership for income tax purposes. Accordingly, no taxes payable or deferred tax assets or liabilities are reflected in these financial statements.

The federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three-year statute of limitation.

Pets Are Inn LLC
Notes to Financial Statements
As of February 29, 2024, and for the Year Then Ended

2. Significant Accounting Policies (continued)

Deferred Revenue

The Company has no deferred revenue to as of the year ending February 29, 2024. For the Company to comply with Accounting Standard Codifications (ASC) 606, initial franchise fees collected but not earned should be recorded as deferred revenue until such a time whereby the various performance obligations have been met. A portion of the initial franchise services are distinct from the continuing rights or services offered during the term of the franchise agreement, and, therefore, are subject to be treated as multiple performance obligations. As such, once a franchise location is opened, a portion of the initial franchise fee should be recognized based on the number of locations in the franchise agreement. On February 29, 2024, the Company had no deferred revenue.

Revenue Recognition

Franchise Fees

For the Company to comply with Accounting Standards Codification (ASC) 952, Accounting for Franchise Fee Revenue, which indicates the basis for recognition, presentation, and disclosure of franchise fee revenue, the Company must understand whether the franchise fee is dependent on certain performance requirements to be met. For example, similar companies implement revenue recognition policies that recognize 40% of revenue from a franchise fee when the franchise agreement is signed, and the remaining 60% of the revenue from an initial franchise fee is recognized as the store(s) are opened.

Upon execution of a Franchise Agreement between the Company and a new franchisee, the Company requires the franchisee to pay a fee of \$65,000 for the first Pets Are Inn Franchise. The Company offers an option for a franchisee to sign an additional Territory Development Agreement (TDA), which allows the franchisee to develop two additional Pets Are Inn Franchised businesses in each territory. The TDA entails a \$10,000 fee associated with the first two additional stores opened and \$5,000 for an additional third development if applicable.

The Franchise Disclosure Document specifies that all fees are not refundable and defines a period when the first location must be operating, usually one year from date of franchise agreement for a single location.

There are no noted commissions or referral fees associated with deferred franchise fees as of February 29, 2024.

Royalty Fees

The Company plans to collect royalty fees from its franchisees. Royalty fees are calculated on a bi-weekly basis based on 5-10% of the franchisee's gross revenue. The payment dates are the 2nd and 17th day of each month. There was no royalty fee income for the year ending February 29, 2024.

Pets Are Inn LLC
Notes to Financial Statements
As of February 29, 2024, and for the Year Then Ended

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Other Franchise Services

The Company provides other “for fee services” to the franchisees. Other franchise services are based on standardized rates and recognized when earned.

Research and Development

The Company’s research and develop policies must comply with ASC 730. Under ASC 730, qualifying research and development costs are charged to operations when incurred and are included in operating expenses. There are no research and development fees to record for the year ending February 29, 2024.

3. Related-Party Transactions and Concentrations

No noted related-party transactions as of February 29, 2024.

4. Subsequent Events

The Company’s management has evaluated subsequent events through March 4, 2024, or transactions which occurred after February 29, 2024, the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures.

EXHIBIT B

State Administrators and Agents for Service of Process

<u>State</u>	<u>Administrator</u>	<u>Agent for Service of Process</u>
California	Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 Toll Free: (866) 275-2677 Email: Ask.DFPI@dfpi.ca.gov	Commissioner Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834
Indiana	Secretary of State Securities Division 302 W. Washington Street Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State 201 State House 200 W. Washington Street Indianapolis, IN 46204
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1638	Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219
Washington	Washington Dept. of Financial Institutions Securities Division PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Department of Financial Institutions Division of Securities 4822 Madison Yards Way North Tower Madison, WI 53705 (608) 266-8559	Commissioner of Securities Department of Financial Institutions 4822 Madison Yards Way North Tower Madison, WI 53705

EXHIBIT C

Pets Are Inn Franchisees as of December 31, 2023

Minnesota

Mary Johnson (2 Territories)
P.O. Box 47131
Plymouth, MN 55447
(952) 473-6118

Nita Whiting/Carol Perkins (2 Territories)
P.O. Box 25512
St. Paul, MN 55107
(651) 292-8933

Pennsylvania

Andrew Miller (2 Territories)
P.O. Box 591
Doylestown, PA 18901
(215) 491-7387(PETS)

Texas

Donna Baron (3 Territories)
2828 Parker Rd
Suite 203D
Plano, TX 75248-1203
(972) 424-8400

Affiliate Owned Pets Are Inn Businesses as of December 31, 2023

Minnesota

V.I.P. Touch, Inc
Att: Ann Platt (2 Territories)
P.O. Box 39481
Minneapolis, MN 55439
(952) 837-1877

EXHIBIT D

FRANCHISEES WHO LEFT THE SYSTEM IN 2023

None

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

EXHIBIT E
FRANCHISE AGREEMENT

EXHIBIT E
FRANCHISE AGREEMENT

Between

PETS ARE INN, INC.

And

Address: _____

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Exhibit A – LICENSED TERRITORY

Exhibit B – SCHEDULE FOR OPENING

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Exhibit D – PERSONAL GUARANTY

Exhibit E – CONFIDENTIALITY AGREEMENT

Exhibit F – ELECTRONIC FUNDS TRANSFER AGREEMENT

EXHIBIT E

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") made as of the ____ day of _____, 20__, between PETS ARE INN, INC., a Minnesota Corporation, having its principal office at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439 (hereinafter referred to as "PAI" or "Franchisor") and _____, City of _____, County of _____, State of _____ (hereinafter referred to as the "Franchise Owner").

RECITALS

1. PAI has developed a system (hereinafter the "System") for providing an alternative pet boarding service of high quality and distinctive nature under the name "Pets Are Inn."

2. The distinguishing characteristics of the System, and of the service provided pursuant hereto, include, but are not limited to, a standardized high-quality distinctive alternative service for the boarding of pet animals with qualified host families, where the pet animal is transported from its owner to the qualified host family and back again, identified with the words "Pets Are Inn," and the methods of operation, advertising and publicity, as set out in PAI's confidential Operations Manual.

3. PAI has the right to license the use of the name "Pets Are Inn" and such other trade names, trademarks and service marks (hereinafter the "Marks") as may be designated by PAI for use in connection with the System.

4. Franchise Owner desires to be licensed to provide pet-boarding services in accordance with PAI's System and standards using the name "Pets Are Inn" and other Marks.

5. The success of both parties to this Agreement and of the aforesaid system is dependent upon the continuing good reputation of each and every "Pets Are Inn" business operated within the system and upon the continuing good will of the public towards the name "Pets Are Inn," and Franchise Owner recognizes that adherence to the terms of this Agreement is a matter of importance and consequence to Franchise Owner, to PAI and to all other franchise owners.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable considerations, the parties hereby agree as follows:

SECTION 1

GRANT OF FRANCHISE

PAI hereby grants to Franchise Owner and Franchise Owner hereby accepts, a franchise and license to operate an alternative pet boarding service under the name "Pets Are Inn" (the "Franchised Business") within, and only within, the geographic area or areas set out in the

schedule attached hereto as Exhibit A (hereinafter the “Licensed Territory”). The rights and privileges granted to Franchise Owner under this Agreement are applicable only to the Licensed Territory and may not be used elsewhere. Franchise Owner shall not have the right to sub-franchise or sub-license any of its rights under this Agreement. During the period that this Agreement is in effect, PAI agrees that it will not establish, or license another franchisee to establish, a “Pets Are Inn” business that is physically located within the Licensed Territory.

SECTION 2
TERM OF FRANCHISE AND RENEWAL RIGHTS

A. Term. The term of this franchise shall be ten (10) years from the date hereof unless sooner terminated as hereinafter provided.

B. Renewal. The Franchise Owner shall have the right to renew its Pets Are Inn franchise for an additional period of five (5) years provided that the following conditions have been met:

1. The Franchise Owner has given PAI written notice at least one hundred eighty (180) days prior to the end of the term of this Franchise Agreement of its intention to renew; but no more than 270 days before expiration. Provided the Franchise Owner sends PAI this notice, PAI will send the Franchise Owner the forms needed to execute the new franchise agreement approximately 90 days before the expiration date of this Franchise Agreement. The Franchise Owner must sign and return them to PAI at least 30 days before the expiration of this Franchise Agreement. The Franchise Owner will not be required to pay the Initial Fee as set forth in the then-current Franchise Agreement;
2. The Franchise Owner has complied with all of the material terms and conditions of this Franchise Agreement and has complied with PAI’s material operating and quality standards and procedures as defined in the PAI Operations Manual; and all monetary obligations owed by the Franchise Owner to PAI have been satisfied prior to renewal, and have been timely met throughout the term of this Franchise Agreement; and
3. The Franchise Owner executes (1) the standard Franchise Agreement that is being used by PAI; and (2) all other agreements that PAI customarily uses for the granting of franchises at the time of the Franchise Owner’s renewal. PAI is not restricted in its right to change other significant provisions of the previously existing Franchise Agreement. PAI’s then-current form of franchise agreement may provide for higher fees, fees not included in this Franchise Agreement and other terms and conditions materially different from the terms of this Franchise Agreement.

C. Renewal Fee. If the Franchise Owner desires to renew its Pets Are Inn franchise, there will be a renewal fee equal to ten percent (10%) of the then-current Franchise Fee, to be paid thirty (30) days before the renewal date.

SECTION 3 TERRITORY

A. Territory. The Franchise Owner is not permitted to operate the Franchised Business from a temporary or permanent site outside the Licensed Territory. The Franchise Owner may operate outside of its Licensed Territory, provided, however, if the Franchise Owner is in full compliance with its agreement, and the Franchise Owner receives an inquiry from a potential customer who is located outside of the Franchise Owner's Licensed Territory, the Franchise Owner may service that customer so long as that customer is not located in the territory of one of PAI's existing franchisees or in a territory where PAI operates a company location. Customers outside the Franchise Owner's Licensed Territory become the rights/property of and are to be assigned to the franchise owner of any newly created territory.

B. Scheduled Opening. The opening for the Franchise is identified in Attachment Exhibit B. In the event, an opening does not occur as identified in Attachment Exhibit B, PAI reserves the right to terminate the rights of the Franchise Owner from operating in the Licensed Territory not opened as scheduled.

C. Competition. Provided the Franchise Owner is in full compliance with this Franchise Agreement, PAI will not, during the term of this Franchise Agreement, operate, or grant a franchise for the operation of, a Pets Are Inn business providing pet boarding services that is physically located within the Licensed Territory . Other than this limitation there are no prohibitions on PAI in your Licensed Territory. For example, PAI can operate or allow others to operate similar or identical businesses within the Licensed Territory if such businesses do not operate under the Pets Are Inn trademark, and to operate similar or identical business outside of the Licensed Territory under any trademarks even if the businesses compete with the Business in the Licensed Territory. PAI can also operate or allow others to operate businesses inside the Licensed Territory under the Marks so long as the businesses are not competitive with the Business. PAI can sell any products its or its affiliates provide to you for use in your Business to any person, whether in or outside the Licensed Territory. PAI can sell or grant third parties the right to sell goods or services competitive with those sold by your Business under the Marks or otherwise through other distribution channels including the Internet, catalog sales, telemarketing or other direct marketing, in and outside of the Licensed Territory. PAI can acquire businesses in the Licensed Territory that are similar to the Business or sell its business whether through a sale of assets or stock to anyone, regardless whether they operate or franchise the operation of businesses similar to your Business. PAI will not pay you any compensation for soliciting or accepting orders in the Licensed Territory

D. Site of Franchised Business:

1. Location. The responsibility for locating and choosing a site from which to operate the Franchised Business is the Franchise Owner's. The site must be located within the Licensed Territory. The first address of the Franchised Business is identified in Attachment Exhibit D.
2. Change of Location. The Franchise Owner may not relocate the headquarters of its Business to a new address without providing PAI with

prior written notice to move. The Franchise Owner's headquarters must be within its Licensed Territory.

SECTION 4
TRADEMARKS AND TRADE NAMES

A. Ownership. The Franchise Owner hereby acknowledges the validity of the Marks and acknowledges that they are the sole property of PAI. Any and all improvements by the Franchise Owner relating to the Marks and Business System shall become the sole and absolute property of PAI who shall have the exclusive right to register and protect all such improvements in its name. The Franchise Owner's right to use and identify with the Marks and Business System shall exist concurrently with the term of this Franchise Agreement and only so long as Franchise Owner is in complete compliance with PAI's quality standards.

B. Use. The Franchise Owner agrees that its nonexclusive personal right to use the name "Pets Are Inn" as the name of the Franchise Owner's business and its right to use the Marks and Business System applies only to the Franchise Owner's Licensed Territory and only so long as the Franchise Owner shall fully perform and comply with all of the conditions, terms, and covenants of this Franchise Agreement. The Franchise Owner shall not have or acquire any right in any of the Marks or Business System other than the right of use as governed by this Franchise Agreement. The Franchise Owner shall have the right to use the Marks only in the manner prescribed, directed and approved by PAI in writing. If, in the judgment of PAI, the acts of the Franchise Owner infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and Business System, then the Franchise Owner shall immediately, upon written notice from PAI, modify its use of the Marks and Business System in the manner prescribed by PAI in writing. The Franchise Owner shall not during or after the terms of this Franchise Agreement do anything directly or indirectly which would infringe upon, harm, mislead, or contest the rights of PAI in the Marks or Business System.

C. Promotion. The Franchise Owner will operate its business so that it is clearly identified and advertised on Franchise Owner's business vehicle. However, the style, form, and use of the words "Pets Are Inn" and the other Marks in any advertising, written, or supplies must have the prior written approval of PAI. The Franchise Owner will use the name "Pets Are Inn" and the other Marks which now or hereafter may form a part of PAI's Business System, on all paper supplies, uniforms, furnishings, advertising materials, signs, or other articles in the identical combination and manner as may be prescribed by PAI in writing. The Franchise Owner will comply with all trademark, trade name, service mark, and copyright notice marking requirements.

D. Identity. The Franchise Owner shall not use the word "Pets Are Inn" in its corporate or partnership name. The Franchise Owner shall hold itself out to the public as an independent contractor operating its business pursuant to a license from PAI. The Franchise Owner shall clearly indicate on its business checks, stationery, business cards, receipts, promotional materials, and other written materials that the Franchise Owner is the owner of the business and that the Franchise Owner is a Pets Are Inn franchise.

E. Substitutions. If there is a claim by any party that its right to use any of the Marks are superior and if PAI determines that such claim is legally meritorious, then upon receiving written notice from PAI, the Franchise Owner, at its expense, will immediately use such changes and amendments to the Marks as may be required PAI. The Franchise Owner will not make any changes or amendments whatsoever in or to the use of the Marks unless directed by PAI in writing.

F. Litigation. The Franchise Owner will have no obligation to and shall not, without the written consent of PAI, defend, or enforce the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. However, the Franchise Owner will give PAI prompt and timely written notice of any claims or complaints made against the Franchise Owner with respect to the Marks. Pets Are Inn, Inc. will protect the Franchise Owner's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the Franchise Owner from any loss, costs or expenses arising out of the claim, suit, or demand regarding the use of the name. The Franchise Owner will, cooperate in all respects with PAI in any court or other proceedings involving the Marks. The cost and expense of all litigation incurred by PAI including attorneys' fees, specifically relating to the Marks, shall be paid by PAI. PAI's legal counsel shall have the absolute right to control and conduct any litigation relating to the Marks.

G. PAI's Rights. PAI may offer or license different services under the Marks, utilize new business methods under the Marks, and develop the Marks, and PAI has the right to change the Marks.

SECTION 5 INITIAL FEE

The Franchise Owner shall pay PAI an initial franchise Fee of \$65,000.00 (the "Initial Franchise Fee"). The Initial Franchise Fee is nonrefundable and is due and payable when the Franchise Owner signs this Agreement.

SECTION 6 CONTINUING FEE

In addition to the Franchise Fee, beginning on the Effective Date, the Franchise Owner shall pay a non-refundable royalty amount computed on a monthly basis as follows (the "Continuing Fee"):

- 10% of the first \$5,000.00 of Gross Sales;
- 7.5% of the next \$5,000.00 of Gross Sales;
- 5.0% of all Gross Sales in excess of \$10,000.00.

A. Payment. The monthly Continuing Fee is due and payable (1) on or before the 17th day of each month for business transacted from the 1st to the 15th of the month or 50% of required minimum Continuing Fee, whichever is greater; and (2) on or before the 2nd day of each

month for the preceding calendar month for the business transacted from the 16th to the end of the month or 50% of required minimum Continuing Fee, whichever is greater and shall be submitted with Franchise Owner's monthly sales report in the form designated by PAI. Franchise Owner shall pay the Continuing Fee, National Advertising Fee, Software Maintenance Fee and any other amounts owed PAI or an affiliate by means of electronic fund transfer, including direct-debit, or such other method Franchisor requires. Franchisee shall execute all documents and grant all consents required by PAI to facilitate payment of amounts by electronic funds transfer or such other method as PAI requires. See Exhibit F. PAI reserves the right to change reporting requirements with 90 days notice.

B. Interest on Late Payments. All fees and other amounts owed to PAI or PAI's affiliates that are received after the due date will bear interest at the rate of 1 ½ % per month or the highest legal rate for open account business credit in the state where the Franchised Business is located until paid.

C. Late Payment Charge. The Franchise Owner will pay PAI a late fee equal to 5% of the amount due and owing on any amounts owed PAI or \$50.00 whichever is greater.

D. Insufficient Funds Fee/EFT. PAI has the right to charge a fee equal to Twenty-five Dollars (\$25.00) for each time the Franchise Owner delivers a check to PAI which does not clear its bank account, or where PAI is not able to do an electronic funds transfer because of insufficient funds in the Franchise Owner's account. In addition to its other rights hereunder, PAI also has the right to charge a One Hundred Dollar (\$100.00) fee each month that Franchisee fails to pay PAI by electronic funds transfer or another method approved by PAI.

E. "Gross Sales" shall mean the gross total revenue of every kind and nature from all cash, credit, charge, and other sales of every kind and nature to include but not limited to boarding and transportation services and charges from Franchise Owner's "Pets Are Inn" business. "Gross Sales" shall not include sales taxes or use taxes.

F. Reimbursement of State Taxes. If any amount to be paid or reimbursed under this Agreement to PAI, or any of its Affiliates, is subject to state gross receipts or other state income tax, then Franchise Owner must pay or reimburse an additional amount to PAI or to such PAI or its Affiliate, as the case may be, so that the amount actually received by PAI or its Affiliates after such deduction, payment or withholding will equal the full amount stated to be payable or reimbursable under this Agreement.

SECTION 7 MARKETING AND ADVERTISING

A. National Advertising Fee. Franchise Owner must contribute one percent (1%) of Franchise Owner's Gross Sales to the National Advertising Fund administered by PAI (the "National Advertising Fee"). The National Advertising Fee is due at the same time as the Continuing Fee as discussed above. PAI may use monies in the National Advertising Fund for any purpose that promotes the Marks and the System, including the cost of formulating, developing and implementing advertising and campaigns; and the cost of administering the Advertising Fund, including accounting expenses and the actual costs of salaries and fringe

benefits paid to PAI's employees engaged in administration of the Advertising Fund; the creation, production and placement of advertising; to pay for agency costs and commissions; to pay the costs to create and produce video, audio and written advertisements; to pay for direct mail and other media advertising, including internet advertising, internet search engine campaigns and the cost to maintain and update our website, web pages, social media and social networking sites, profiles and accounts and for the costs of search engine optimization; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities; and the cost to produce marketing materials. PAI does not guarantee that the advertising portion of the marketing fees the Franchise Owner pays will be used in its Licensed Territory.

B. Advertising Council. PAI has the right to form an advertising council composed of the TDA, franchisees and PAI's representatives, and the right to determine how such council will be selected, funded and governed.

C. Advertising by Franchise Owner. All advertising done by the Franchise Owner must incorporate the Marks and must be approved by PAI in advance. PAI has the right to require the Franchise Owner to advertise on those mediums required by PAI, including the Internet and local yellow pages or other business directories. '

D. Local Marketing Cooperatives. At such time as PAI in its sole discretion may determine, Franchise Owner shall join an advertising cooperative made up of other Pets Are Inn franchisees (the "Local Cooperative"), as determined by PAI. In such event, Franchise Owner shall be required to participate in the Local Cooperative on the terms and conditions required by PAI and determine how much Franchise Owner must contribute to the Local Cooperative. PAI shall have the right to modify or dissolve any Local Cooperative at any time.

E. Promotion. The Franchise Owner shall use its best efforts to promote and advertise its "Pets Are Inn" business and shall participate in all advertising and promotional programs established by PAI. PAI and the Franchise Owner acknowledge and agree that the Franchise Owner shall have the right to advertise and sell its products at whatever prices the Franchise Owner determines.

SECTION 8 TELEPHONE NUMBER

Franchise owner must obtain a separate telephone number that is identified with the Franchised Business and no other business. At the termination of this Agreement that telephone number becomes PAI's property.

SECTION 9 SOFTWARE MAINTENANCE FEE

A. Software Maintenance Fee. The current charge for the twice-monthly software maintenance fee is Twenty-Five Dollars (\$25.00) (the "Software Maintenance Fee"). This is due at the same time as the Continuing Fee and National Advertising Fees as defined in Section 6

and Section 7(A) above and is due in arrears. Therefore, on the 2nd and 17th of the month, PAI will charge the Franchise Owner's account through an electronic funds transfer Twenty-Five Dollars (\$25.00), and this will cover the prior half-month. This fee is for our ongoing maintenance of, and the Franchise Owner's access to, the PAI proprietary software, which Franchisee is required to use in the operation of its Franchised Business. If the Franchise Owner does not pay this fee, in addition to any other remedy PAI may have, PAI may suspend or terminate the Franchise Owner's access to this proprietary software.

B. Increase. PAI reserves the right upon at least thirty (30) days notice, to increase the fees as identified in 10 A, B from time to time, but will not increase these fees by any more than ten percent (10%) in any twelve (12) month period. The cost of connecting to the Internet and the cost of related telephone line charges would be the Franchise Owner's responsibility.

SECTION 10 AUDIT; INTEREST

PAI shall have the right at any reasonable time to inspect, audit, and make copies of books of account, bank statements, invoices, documents, records, logs, papers, and files of Franchise Owner relating to Gross Sales and business transacted and, upon request by PAI, Franchise Owner shall make any such materials available for examination at PAI's central business office. If PAI conducts an audit for any period and the Franchise Owner's reported Gross Sales are found to be understated by one percent (1%) or more, or if PAI conducts an audit due to Franchise Owner's failure to submit the required reports, Franchise Owner shall immediately pay to PAI the cost of such audit, as well as the additional amount payable as shown by such audit, plus interest. Otherwise such audit shall be paid by PAI.

Any amounts owed to PAI by Franchise Owner and not paid when due will bear interest at the rate of 18% per year and 3 times the underpayment unless the state where the Franchise Owner's business is located limits the interest rate to a lower amount; and, in that event, the lower interest rate will be applicable. Interest begins from the date of underpayment.

SECTION 11 DISCLOSURE OF PROCEDURES

A. Operations Manual. PAI will lend to the Franchise Owner one copy of the Operations Manual wherein PAI shall describe its operational policies, standards, requirements, practices, and procedures; and only for the term hereof for use in the Franchise Owner's business and for no other purpose and shall be immediately returned to PAI upon termination or expiration of this Franchise Agreement. The Franchise Owner is required to comply with all provisions of the Operations Manual. PAI reserves the right to revise the Operations Manual at any time. The Franchise Owner must keep the Manual in current and up-to-date condition. If there is a dispute about the contents of the Manual, the terms of the master copy and PAI's home office will control. The entire contents of the Manual plus PAI's specifications, procedures and rules prescribed from time-to-time constitute provisions of this Franchise Agreement just as if they were written on these pages.

B. Web Site & Computer Software. PAI's proprietary Web Site and Computer Software is to be used for the Franchise Owner's day-to-day business operations; The Franchise Owner does not have authority to alter, copy or duplicate PAI's Web Site and proprietary Computer Software. The Web Site and Computer Software is to be used only for the term hereof for use in the Franchise Owner's business and for no other purpose and Franchise Owner shall immediately cease use and return any software to PAI upon termination or expiration of this Franchise Agreement. Upon termination or expiration of this Franchise Agreement, the Franchise Owner is required to provide an affidavit that PAI's proprietary software is not in its possession.

C. Proprietary Nature of the System. Franchise Owner acknowledges that PAI has expended considerable time and money in the development and refinement of PAI's unique and confidential System and in the development of PAI's Web Site and Computer Software and in the preparation of the Operations Manual. Franchise Owner hereby acknowledges that although the System, the Manuals, the Website, and the Computer Software contain information which in isolated form could be construed as being in the public domain, they also contain much proprietary and confidential information, and, in its final form, the System (including the Manuals, the Web Site, and the Computer System), as a whole, is unique, and the combined methods, information, procedures, and theories which make up the total System or are contained in the Manuals are proprietary and confidential. If the Franchise Owner fails to return the Manuals, the Franchise Owner must pay PAI \$5,000.00 in addition to any other remedy PAI may have.

Franchise Owner hereby acknowledges that he has not developed or been engaged in any program or system similar to the System and that the System was unknown to the Franchise Owner prior to the execution of this Agreement. Franchise Owner is, therefore, desirous of learning and using the System as it pertains to pet boarding and has requested that PAI provide the Franchise Owner with confidential and secret information and know-how of the System for use by Franchise Owner in boarding pets and administering a PAI Franchise.

D. Confidentiality. Franchise Owner Acknowledges that all information delivered to Franchise Owner by PAI pursuant to, or in connection with, this Franchise Agreement, unless the information is otherwise publicly available in its final and complete form, constitutes trade secrets and proprietary and confidential information and know-how of PAI. Franchise Owner agrees to safely keep and to maintain in confidence and not to disclose to anyone the System, the Manuals, the Web Site, the Computer Software Systems, and all information and know-how related thereto, except for limited verbal disclosures to such employees or agents of Franchise Owner who need such limited disclosure in order to assist Franchise Owner in the performance of their obligations under this Franchise Agreement but only after obtaining the prior written consent of PAI to such disclosure and only after such employee or agent executes a Confidentiality Agreement in a form provided by PAI. Franchise Owner further agrees to never duplicate, copy, record, make other versions of, translate, make oral presentations to others, or publish all or any portion of the System or Manuals.

The Franchise Owner shall require all employees who have access to the Operations Manuals, the Web Site, the Computer System (and all corporate officers, directors, and shareholders if the Franchise Owner is a corporation; and all partners if the Franchise Owner is a

partnership) to execute agreements, in a form satisfactory to PAI, to maintain the confidentiality during the course of employment and thereafter all information designated by PAI as confidential. Copies of the executed agreements shall be submitted to PAI upon request.

SECTION 12 TRAINING

A. Training Costs. The fee for Initial Training for the Franchise Owner and up to one (1) employee is included in the Initial Franchise Fee. However, if the Franchise Owner sends more than a total of two persons to training, or re-enrolls or enrolls any subsequently hired employees in Initial Training, Franchise Owner will be charged a registration fee of \$1,000.00 per person, which amount is subject to change by amendment to the Operations Manual. The Franchise Owner is responsible for all costs of travel and accommodations incurred by it or its employees while attending Initial Training.

B. By PAI. The Pets Are Inn training program is conducted at the PAI's headquarters in Edina, Minnesota or at the TDA's Headquarters to educate, familiarize and acquaint Franchise Owner with the business of operating a Pets Are Inn business. The Franchise Owner's attendance for all training programs is mandatory. The Franchise Owner may, at their discretion, invite one additional person designated to be a manager for the business to attend the training program. Such training will be provided by PAI without charge to one Franchise Owner. PAI reserves the right to terminate this Agreement immediately if the Franchise Owner or his manager fails to complete any of the prescribed training classes. In addition, PAI will provide the Franchise Owner with free consultation as long as the Franchise Owner is in compliance with the terms of this Agreement.

C. By Franchise Owner. Franchise Owner shall train and instruct each person employed in the operation of Franchise Owner's business (other than those instructed by PAI) in the methods and techniques developed by PAI. Such training and instruction shall be based upon and given in accordance with PAI's confidential Operations Manual, and shall be provided prior to participation by such employees in Franchise Owner's business.

D. Attendance at Meetings.

1. Annual Meeting - PAI requires the Franchise Owner to attend all annual conventions. The Franchise Owner is responsible for the costs of travel and accommodations.
2. Meetings – PAI requires the Franchise Owner to attend 75% of all scheduled meetings on an annual basis. The annual meeting will be included. The Franchise Owner is responsible for the costs of travel and accommodations and in the case of teleconferences, the cost of long distance telephone access. In the event that technology advancement allows for additional mediums, PAI has the right to incorporate them into the scope of “meetings”.

SECTION 13
OPERATION OF THE FRANCHISE OWNER'S BUSINESS

It is recognized by the Franchise Owner that the Marks and Business System licensed to the Franchise Owner represent valuable goodwill distinctive of PAI's business and reputation. It is also recognized that PAI must promulgate, from time to time, uniform standards of quality and service regarding the business operations of the Franchise Owner's Pets Are Inn business so as to protect (for the benefit of all franchise owners and PAI) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and Business System. Accordingly, to insure that all franchise owners will maintain the uniform requirements and quality standards for goods and services associated with the Pets Are Inn business and with the Marks and Business System, the Franchise Owner agrees to maintain the uniformity and quality standards required by PAI for all products and services and agrees to the following terms and conditions to assure the public that all Pets Are Inn businesses will be uniform in nature and will dispense quality products and services.

A. Initial Site and Opening. The Franchise Owner must open the Franchised Business within a reasonable time after signing this Franchise Agreement as identified in Exhibit B. If the Franchise Owner does not open within 120 days after the Effective Date, PAI may terminate this Franchise Agreement and retain all amounts paid by the Franchise Owner.

B. Supervision. The Franchised Business must be under the Franchise Owner's direct, day-to-day supervision for at least 2 years from the Effective Date. After that time it may be under the supervision of a full-time manager approved by PAI: (1) whose identity has been disclosed to PAI; and, (2) who successfully completes Initial Training. The manager must devote full working time to the direction and supervision of the Franchised Business.

C. Site Appearance; Hours of Operation. Franchise Owner shall keep and maintain a safe, neat, clean, and orderly office and keep the location open the hours and days listed in PAI's Operations Manual. Although PAI recommends that Franchise Owner operate from a business location outside its home, Franchise Owner may operate from its home office as long as it meets the requirements of applicable law, including all zoning requirements. If Franchisor Owners desires to operate from an office outside of its home, the office must meet PAI's standards.

D. Products and Services Offered. The Franchise Owner must offer for sale only the services and products that PAI specifies in this Agreement and in the Operations Manual. PAI reserves the right to require that other items be purchased exclusively from PAI its designees. In that event PAI or its designees may derive revenue and profits from said purchases. PAI also has the right to impose a surcharge on approved suppliers.

E. Office Supplies. To maintain uniformity with PAI's system and to maintain the standard practices that are necessary to promote the goodwill of the System, Franchise Owner shall use in the operation of its business only the standard form of contracts, stationery, brochures, business cards, and other printed material prescribed by PAI. Franchise Owner, may, in its discretion, purchase all such materials from PAI except that Franchise Owner must purchase from PAI, at its then-current prices, all products and supplies bearing the Marks required by PAI in connection with the opening of the Business. PAI reserves the right to

prohibit Franchise Owner from using any form of contracts, stationary, brochures, business cards, or other printed matters purchased from other suppliers that deviate in any material way, either in content or in the standards of quality that have been established by PAI in the past or may be established by PAI in the future. The Franchise Owner's employees must adhere to the dress code that PAI specifies in the Manual.

F. Advertising. Franchise Owner shall advertise and promote the trade name "Pets Are Inn" in both the white and yellow pages of the telephone directory in the Licensed Territory with a bona fide answering service. The display ad in the yellow pages is to include the PAI registered service mark and logo. The Franchise Owner will use only approved advertising and promotional materials. In the event that the Franchise Owner desires to use any unapproved advertising or promotional materials bearing the name Pets Are Inn or other Marks, then the Franchise Owner must obtain written approval from PAI prior to using such materials.

G. Franchisee Identification. The Franchise Owner's identity or that of the operating corporation as a franchisee of PAI must be clearly visible in all dealings with the public. This identification must appear on all customer contracts, checks and negotiable instruments.

H. Computer System. Franchise Owner shall utilize in its Pets Are Inn business the Computer System and Software, which adheres to, established industry standards and meets the operational specifications as prescribed by PAI.

I. Facsimile Machine. The Franchise Owner shall utilize in its Pets Are Inn business a facsimile machine that adheres to established industry standards and meets the operational specifications prescribed by PAI.

J. General Operation. The Franchise Owner will use the Marks and System in strict compliance with the standards, operating procedures, specifications, requirements, and instructions requires of all Pets Are Inn businesses, which may be amended and supplemented by PAI from time to time.

K. Compliance with Laws. The Franchise Owner will, at its expense, comply with all applicable, local, state, federal, and municipal laws, ordinances, rules and regulations pertaining to the operation of the Franchise Owner's business.

L. Payment of Liabilities. The Franchise Owner will timely pay all of its obligations and liabilities due and payable to PAI, suppliers, and creditors. The Franchise Owner's failure to comply with this provision shall be deemed a material breach of this Franchise Agreement.

M. Taxes. The Franchise Owner shall be absolutely and exclusively responsible and liable for the prompt payment of all federal, state, and local taxes arising out of the operation of the Franchise Owner's business. PAI shall have no liability for these or any other taxes and the Franchise Owner will indemnify PAI for any such taxes that may be assessed or levied against PAI, which arise, or result from the Franchise Owner's business.

N. Operations Manual. In order to protect the reputation and good will of PAI and to maintain uniform operating standards under the Marks and System, the Franchise Owner shall conduct its business in accordance with PAI's Operations Manual, one copy of which the

Franchise Owner will have on loan from PAI for the term of this Agreement. The Franchise Owner shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the “Pets Are Inn” business, and the information contained herein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. The Franchise Owner shall not at any time, without PAI’s prior written consent, copy or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person. The Manual shall at all times remain the sole property of PAI. PAI may from time to time revise the contents of the Manual and the Franchise Owner expressly agrees to comply with each new or changed standard. The Franchise Owner shall at all times insure that its copy of the Manual is kept current and up to date, and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by PAI shall be controlling.

O. General Conduct. Franchise Owner shall maintain a high moral and ethical standard in the operation of its business and provide efficient, courteous and high quality service to the public of the same type as provided by PAI and in accordance with PAI’s Operations Manual, in order to help to create good will among the public for the “Pets Are Inn” system as a whole and to assure the public of a uniform, efficient, courteous, high-quality service on a standardized national basis.

P. Holding Out. Franchise Owner shall represent to the public that Franchise Owner is the owner-operator of this franchise, but Franchise Owner shall not at any time profess to be, advertise, or hold out to be a veterinarian, animal groomer, or pet specialist, unless Franchise Owner has the appropriate professional qualifications as such, in which case, the certificates of such qualification shall be conspicuously displayed at Franchise Owner’s office.

Q. Related Services; Number of Pets. Franchise Owner is prohibited from selling foodstuffs, grooming supplies, for pet animals, or other items that have not been approved by PAI or offer pet grooming, veterinarian, or other services unless approved by PAI. If approved by PAI, the products and/or services become a part of “Gross Sales”. Franchise Owner, any host family of Franchise Owner, or other party acting on behalf of Franchise Owner, may not at any one time, care for more pets, including any pets of the Franchisor Owner, than allowed by applicable law.

R. Anti-Discrimination. Franchise Owner is prohibited from discriminating against customers (in the products or services that Franchise Owner provides, access to products or services, or by refusing to provide products and services to customers) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin, or disability. Franchise Owner must further comply with any anti-discrimination policies in PAI’s Operations Manual and/or System Standards.

SECTION 14 INSURANCE

The Franchise Owner alone shall be responsible for all loss or damage arising out of or relating to the operation of the Franchise Owner’s business or arising out of the acts or omissions of the Franchise Owner or any of its agents, employees, or contractors in connection with the

preparation and sale of products by Franchise Owner, and for all claims for damage to property or for injury or death of any persons directly or indirectly resulting therefrom, and Franchise Owner agrees to indemnify and hold PAI harmless against and from any and all such claims, loss, and damage, including costs and reasonable attorneys' fees. Franchise Owner shall obtain and all times during the term of this Franchise Agreement maintain in force and pay the premiums for commercial general liability insurance with those coverages and in the minimum amounts as required by PAI from time-to-time along with such other types of insurance and coverages, as PAI may require all in such minimum amounts as PAI may specify.

Said policies of insurance shall expressly protect both the Franchise Owner and PAI and shall require the insurer to defend both the Franchise Owner and PAI in any action. The Franchise Owner shall furnish to PAI a certificate of insurance as set forth above, naming PAI as an additional insured on a primary basis, and providing that such policy shall not be canceled, amended or modified except upon thirty (30) days' prior written notice to PAI. Maintenance of the insurance requirement shall not relieve Franchise Owner of the obligations of indemnification set forth in Section 17 of this Franchise Agreement. If Franchise Owner fails to procure or maintain in force any insurance as required by this Section or to furnish the certificate thereof required hereunder, PAI may, in addition to all other remedies it may have, procure such insurance or certificates, and the Franchise Owner shall promptly reimburse PAI for all premiums and other cost incurred in connection therewith.

SECTION 15 BUSINESS VEHICLE

Franchise Owner shall, at its own expense, procure a vehicle meeting PAI's specification. The vehicle may be bought or leased at Franchise Owner's discretion; however, it must conform to the following guidelines:

- (1) It must not be more than three (3) years old; and
- (2) Vehicle must otherwise meet Franchisor's specification. Such vehicle or vehicles shall be the property of Franchise Owner who shall be solely responsible for all cost of maintaining and insuring it. Pets will be caged at all times during transportation for safety purposes.
- (3) Vehicle must be white.
- (4) Vehicle signage is to be purchased for PAI approved supplier according to PAI's specifications.

SECTION 16 ONGOING OBLIGATIONS OF FRANCHISE OWNER

A. Franchise Owner shall maintain, and keep accurate and complete books, records, reports, and accounts of the Franchise business in the manner prescribed by PAI. Franchise Owner shall make such books, records, reports and accounts available to PAI at any time reasonably requested by PAI. In addition, Franchise Owner shall timely provide PAI with any financial statements required by any local, state, or federal agency.

B. Franchise Owner shall supply PAI with a complete and accurate financial statement of Franchise Owner's operation of the Franchise prepared in PAI prescribed format and in accordance with generally accepted accounting principals on an annual basis within ninety (90) days of Franchise Owner's fiscal year end.

C. Upon the request of PAI, Franchise Owner shall supply PAI with a copy of the federal income tax return of the Franchise at any time after five (5) days of the filing of such return with the Internal Revenue Service.

D. Forms and Records. The Franchise Owner is required to use the forms and reports specified in the Manual.

SECTION 17 INDEPENDENT CONTRACTORS; INDEMNIFICATION

A. Relationship. PAI and the Franchise Owner are independent contractors. Neither PAI nor the Franchise Owner shall make any agreements, representations, or warranties in the name of or on behalf of the other or that their relationship is other than Franchisor and Franchisee and neither PAI nor the Franchise Owner shall be obligated by or have any liability under any agreements, representations, or warranties made by the other nor shall PAI be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchise Owner's business conducted pursuant to this Franchise Agreement, whether caused by the Franchise Owner's negligent or willful action or failure to act.

B. Indemnification. Franchise Owner will, and hereby does, indemnify and defend PAI, its officers, directors, owners, agents, representatives, employees, successors and assigns, from and against all losses, costs, liabilities, damages, claims, and expenses of every kind, including allegations of negligence by PAI and its officers, employees, and agents, to the fullest extent permitted by Applicable Law, and including reasonable attorneys' fees, arising out of, resulting from or related to: (i) the unauthorized use of the Trademarks; (ii) the violation of Applicable Law; and (iii) the construction, renovation, upgrading, alteration, remodeling, repair, operation and ownership of the Pets Are Inn business. Franchise Owner must promptly give notice to PAI of any action, suit, proceeding, claim, demand, inquiry, or investigation related to the foregoing. PAI will have the right, through counsel of its choice, at Franchise Owner's expense, to control the defense and response to any such action, and such undertaking by PAI will not, in any manner, diminish Franchise Owner's obligations to PAI. Under no circumstances will PAI or a person indemnified be required to seek recovery from third parties or mitigate its losses in order to maintain a claim for indemnification against Franchise Owner under this Agreement, and the failure to pursue such recovery or mitigate a loss will in no way reduce the amounts recoverable from Franchise Owner by a person indemnified. Franchise Owner's obligations under this Section will survive the termination or expiration of this Agreement.

C. Enforcement. If PAI or the Franchise Owner is required to enforce this Franchise Agreement in a judicial proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees.

SECTION 18
ASSIGNMENT

A. By Franchisor. This Franchise Agreement may be assigned and transferred by PAI to any affiliated corporation or third party on serving written notice to the Franchise Owner and shall inure to the benefit of PAI's successors and assigns. Any such assignment or transfer shall require the assignee to fulfill PAI's obligations under this Franchise Agreement.

B. By Corporate Franchise Owner. This Franchise Agreement may be transferred or assigned by the Franchise Owner to a corporation which is owned or controlled by the Franchise Owner, provided that the Franchise Owner and all of the shareholders of the assignee corporation sign or have signed the personal guaranty and agree to be bound by the terms and conditions of this Franchise Agreement and further provided that the Franchise Owner furnishes prior written proof to PAI substantiating that the corporation will be financially able to perform all the terms and conditions of this Franchise Agreement. The Franchise Owner will give PAI fifteen (15) days written notice prior to the proposed date of assignment or transfer of this Franchise Agreement to a corporation owned or controlled by the Franchise Owner; however, the transfer or assignment of this Franchise Agreement shall not be valid or effective until PAI has received the legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this Franchise Agreement to the corporation as provided herein.

C. Conditions to Other Transfer or Assignment. The Franchise Owner (and its partners and shareholders) shall not transfer, assign, or otherwise dispose of any interest in the Pets Are Inn business, the assets of the Franchise Owner's business, this Franchise Agreement, or any controlling interest in the Franchise (if the Franchise Owner is a partnership or a corporation) without PAI's prior written consent, except to immediate family members or trusts established for their benefit. The Franchise Owner (and its partners and shareholders) shall not enter into a contract for sale nor secure the services of a Business Broker/Franchise Broker/Real Estate Broker/Attorney, etc. for sale of their interest in the Pets Are Inn business, the assets of the Franchise Owner's business, this Franchise Agreement, or an controlling interest in the Franchise without PAI's prior written consent. PAI shall not unreasonably withhold its consent to a transfer, subject to any or all of the conditions set forth below, which PAI may, in its sole discretion, deem necessary. The conditions, which PAI may impose prior to the time of transfer, including any transfer by a trustee in bankruptcy or transfer upon death or disability, are as follows:

1. All of Franchise Owner's accrued monetary obligations to PAI shall have been satisfied, and the Franchise Owner shall not be in default under this Franchise Agreement; and
2. The Franchise Owner shall have executed a written agreement in a form satisfactory to PAI, in which the Franchise Owner covenants to observe all applicable post-term obligations and covenants contained in this Franchise Agreement; and
3. The transferee-franchisee shall be personally liable to discharge all of the Franchise Owner's obligations under this Franchise Agreement, and if so

required by PAI, shall enter into a written agreement in a form satisfactory to PAI assuming and agreeing to discharge all of the Franchise Owner's obligations and covenants under this Franchise Agreement; and

4. The transferee-franchisee shall have been approved by PAI and shall have demonstrated to PAI's satisfaction that he meets PAI's managerial, financial, and business standards for new franchisees, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise); and
5. Prior to the date of actual possession/takeover of the business operations, the transferee-franchisee shall have successfully completed any training prescribed by PAI. Any and all costs of training shall be the responsibility of the current Franchise Owner; and
6. The transferee executes the then current standard Franchise Agreement required of new franchise owners.

D. Transfer Fee. If this Franchise Agreement is assigned, transferred or bequeathed to another person or entity, or if a controlling interest in the Franchise is transferred to another person or entity, then the Franchise Owner will pay PAI a transfer fee equal fifty percent (50%) of the then-applicable initial franchise fee. If the transfer is the sale of the entire TDA and all territories of Franchise Owner to a single purchaser, the transfer fee will be 50% of the then applicable initial franchise fee for the first territory, and \$1,000 for each additional territory. If the transfer of the TDA involves the sale of separate territories to different purchasers, then the transfer fee applicable to each territory is 50% of the then applicable initial franchise fee.

SECTION 19 PAI'S TERMINATION RIGHTS

A. Grounds. In addition to the other rights of termination contained in this Franchise Agreement, PAI shall have the right to terminate this Franchise Agreement for good cause. Unless otherwise provided by law, good cause means the failure to comply with any lawful provision of the Franchise Agreement and includes the specific defaults listed below.

1. This Franchise Agreement will terminate immediately upon delivery of notice to the Franchise Owner if:
 - (a) the Franchise Owner transfers, or attempts to transfer, PAI's interest in this Franchiser Agreement, the Licensed Territory or Franchise Owner's interest in the operating corporation, without PAI's prior written approval;
 - (b) the Franchise Owner sells, or attempt to sell, the assets of the Franchised Business without complying with this agreement, or, if the Franchise Owner is a corporation, there is a change in the ownership

structure or in the identity of the owners, directors or investors shown in Attachment Exhibit D to this Franchise Agreement;

(c) the Franchise Owner abandons or otherwise discontinues the active conduct of the Franchised Business, without prior written consent, for more than 1 week (7 consecutive days);

(d) the Franchise Owner has 2 or more checks returned to PAI for insufficient funds within any 12 month period, or Franchise Owner's bank does not have sufficient funds to cover an electronic funds transfer on 2 or more occasions in any 12 month period;

(e) the Franchise Owner becomes insolvent, makes an assignment for the benefit of creditors, or is unable to pay debts as they come due;

(f) the Franchise Owner, any of its investors, or the operating corporation, or any of its owners, made any material misrepresentation on the franchise application;

(g) the Franchise Owner or any of its managers, directors, officers, or majority stockholders are convicted of, or plead guilty to or no contest to (a) a charge of violating any law relating to the Franchised Business or; (b) or any felony;

(h) the Franchise Owner fails to purchase and pay for the vehicle, equipment or supplies required for the business operations of a Pets Are Inn business as identified in this Franchise Agreement of PAI's Operations Manual;

(i) fail to cure a d the Franchise Owner voluntarily or otherwise abandons the Franchised Business;

(j) the Franchise Owner fails to maintain the insurance coverage as required by, or in accordance with the specifications listed in, this Franchise Agreement or the Operations Manual;

(k) the Franchise Owner fails on 3 or more separate occasions during any 12 month period to comply with provisions of this Franchise Agreement, including the Franchise Owner's obligations to pay when due Continuing Fees, or other amounts, regardless of whether the failures were corrected after notice to Franchise Owner;

(l) the Franchise Owner fails to cure a default under this Agreement, which materially impairs the goodwill associated with the Names, and Marks or the Business System after the Franchise Owner has received written notice to cure at least twenty-four (24) hours in advance of the notice of termination;

(m) the Franchise Owner files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar relief under any law, admits or fails to contest the material allegations of any such pleading filed against the Franchise Owner or is adjudicated bankrupt or insolvent;

(n) the Franchise Owner commits repeated, material violations of any health, safety, sanitation or other regulatory law, ordinance, standard, practice or regulation or operates the Business in a manner that presents a health or safety hazard to its employees, customers or the general public;

(o) the Franchise Owner submits to PAI two (2) or more sales reports, financial statements, other information or supporting records, in any period of twelve (12) consecutive months, which understates by more than two percent (2%) the Gross Sales of the Franchised Business or materially distort any other material information;

(p) the Franchise Owner consistently fails to submit when due sales reports or financial statements or to pay when due all amounts owed to PAI;

(q) the Franchise Owner consistently fails to pay its creditors, employees, or suppliers on a timely basis;

(r) the Franchise Owner otherwise materially breaches this Agreement (whether or not such breach corrected after notice) or fails to comply with any provision of the Agreement or any specifications, standard or operating procedure prescribed by PAI and does not correct such failure within thirty (30) days after a notice of default is sent by PAI to the Franchise Owner; or

(s) the Franchise Owner fails to timely pay any of its obligations or liabilities due and owing to PAI, including Continuing Fees, within ten (10) days written notice to the Franchise Owner, or to suppliers, banks, other creditors, or any federal, state or municipal government.

2. PAI has the right to terminate this Franchise Agreement effective upon expiration of a thirty (30) day cure period if:

(a) the Franchise Owner uses any of the Marks in a manner not permitted by this Franchise Agreement; or the Franchise Owner fails to comply with any other lawful provision of this Franchise Agreement or specification, standard, operating procedure or Manual provision. The Franchise Owner's opportunity to cure a default under this Franchise Agreement shall not in any way constitute a waiver of performance of PAI's obligations under this Franchise agreement, or a waiver of any other provision of the Franchise Agreement; or

(b) the Franchise Owner does not satisfactorily complete the initial training within one-hundred-twenty (120) days after the date of this Agreement, or if the Franchise Owner fails to open its business within one-hundred-twenty (120) days after the date of this Agreement. If this Franchise Agreement is terminated; the Franchise Owner (and their guarantors) will still remain bound by the terms of this Franchise Agreement which survive termination, including without limitation the non-competition covenants.

B. Procedure. If the Franchise Owner fails to correct the alleged breach within the applicable period of time after receiving written notice of the alleged breach and PAI's notice to terminate, then this Franchise Agreement shall be considered terminated. For the purposes of this Franchise Agreement, an alleged breach of this Franchise Agreement by Franchise Owner shall be deemed to be "corrected" if both PAI and the Franchise Owner agree in writing that the alleged breach has been corrected. PAI may terminate this Franchise Agreement by giving written notice to the Franchise Owner but no opportunity to cure if the termination results from any of the following:

1. Franchise Owner repeatedly fails to comply with one or more requirements of this Franchise Agreement;
2. the nature of the Franchise Owner's breach makes it not curable;
3. the Franchise Owner willfully and repeatedly deceives customers relative to the source, nature, or quality of goods (service) sold;
4. any default under items in Section 19, A, 1 above;
5. the Franchise Owner materially falsifies any report, statement, or other written data furnished to PAI. Any report shall be conclusively deemed to be materially false if it understates Gross Sales by more than one percent (1%).

C. Applicable Law. In the event that the provisions of this Section 19 are inconsistent with applicable law, then the applicable law shall apply.

SECTION 20 FRANCHISE OWNER'S TERMINATION RIGHTS

A. Grounds and Procedures. The Franchise Owner shall have the right and privilege to terminate the Franchise Agreement, as provided herein, if PAI violates any material provision, term, or condition of this Franchise Agreement.

B. Procedure. The Franchise Owner shall not have any right to terminate this Franchise Agreement or to commence an action against PAI for injunctive relief, violation of any state, federal, or common law, unless and until:

1. written notice setting forth the alleged breach in detail has been delivered to PAI by the Franchise Owner, by personal service or registered mail; and
2. PAI fails to correct the alleged breach within ninety (90) days after receipt of the written notice. If PAI fails to correct the alleged breach as provided herein within ninety (90) days after receiving written notice of the alleged breach and the Franchise Owner's notice of intent to terminate, then this Franchise Agreement may be terminated by the Franchise Owner as provided in this Franchise Agreement. For the purposes of this Franchise Agreement, an alleged breach of this Franchise Agreement by PAI shall be deemed to be "corrected" if both PAI and the Franchise Owner agree in writing that the alleged breach has been corrected.

C. Required Notice. The Franchise Owner must give PAI written notice of an alleged breach or violation of the Franchise Agreement after the Franchise Owner has knowledge of, determines, or is of the opinion that there has been an alleged breach or violation of this Franchise Agreement by PAI. If Franchise Owner fails to give written notice to PAI of an alleged breach of this Franchise Agreement within one (1) year from the date that the Franchise Owner has knowledge of, determines or is of the opinion that there has been an alleged breach by PAI, then the alleged breach shall be deemed to be condoned, approved and waived by the Franchise Owner, and the alleged breach or violation shall not be deemed to be a breach or violation of the Franchise Agreement.

SECTION 21 FRANCHISE OWNER'S OBLIGATIONS UPON TERMINATION

A. Post-Term Duties. In the event this Franchise Agreement is terminated for any reason, then the Franchise Owner will:

1. Within five (5) days after termination, pay any and all sums due and owing to PAI under the Franchise Agreement, including liquidated damages. After termination, PAI shall be under no obligation to repay any amount theretofore paid by Franchise Owner to PAI;
2. Return to PAI by first class prepaid United States mail the Operations Manual and any other manuals, advertising materials, all instructions, applications, books, forms, computer records, or materials, and other documents bearing the marks, and turn over to PAI any and all of the customer lists and caretaker lists excluding financial records, pertaining to Franchise Owner's business;
3. Immediately cease using the name Pets Are Inn or any trademark, service mark, logotype, or commercial symbols associated therewith;
4. Notify the telephone company and listing agencies of the termination of Franchise Owner's right to use all telephone numbers and all classified and other directory listings of the Pets Are Inn business, and cause the

aforementioned telephone number(s) to be transferred and assigned to PAI or its nominee(s) or to be canceled or withdrawn as determined by PAI;

5. Immediately upon request assign to PAI any and all contracts of any nature relating to the business conducted pursuant to this Agreement;
6. Refrain from representing or advertising the relationship between PAI and Franchise Owner or the fact that Franchise Owner did business under the Pets Are Inn name;
7. Comply with all other applicable provisions of this Franchise Agreement; and
8. Comply with the covenant not to compete.

B. Right Upon Termination. The Franchise Owner has no interest upon termination of or refusal to renew or extend the Franchise Agreement, whether caused by Franchise Owner, PAI, or expiration of the Franchise Agreement.

C. Injunctive and Equitable Relief. Franchise Owner agrees that PAI shall be entitled to seek injunctive and equitable relief for any violation of this Section, and Franchise Owner agrees to pay all cost and expenses, including reasonable attorney's fees, incurred by PAI, in enforcing this Section of this Franchise Agreement, or any other part of this Franchise Agreement.

SECTION 22 NON-EXCLUSIVITY

Franchise Owner covenants and agrees that this franchise is not exclusive, and acknowledges and recognizes PAI's interest in and exclusive right to the System and its distinguishing characteristics, and also the exclusive right of PAI to use and/or grant the rights to others to use the name "Pets Are Inn".

SECTION 23 FRANCHISE OWNER'S COVENANTS NOT TO COMPETE

A. During Term. The Franchise Owner and the Personal Guarantors will not, during the term of this Franchise Agreement, on their own account or as an owner, partner, director, officer, shareholder, employee, consultant, salesperson, representative, or agent or in any other capacity in any business engaged in pet boarding, pet transportation, pet sitting, or other competitive business during the term of the Franchise Agreement. Additionally, Franchise Owner will not divert or attempt to divert any business of or any customer of, PAI to any competitor, by direct or indirect means.

B. After Termination. Unless specifically prohibited by state law, Franchise Owner shall not for a period of two (2) years after termination of this Agreement engage as an owner, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in any business engaged in pet boarding, pet transportation, pet sitting, or other

competitive business within the Franchise Owner's Licensed Territory or within a 60 mile radius of the Franchise Owner's Licensed Territory or any other Pets Are Inn franchisee's territory at the time of termination. Additionally, Franchise Owner will not divert or attempt to divert any business of or any customer of, PAI to any competitor, by direct or indirect means.

C. Additional Restrictions. Franchise Owner may, in its discretion, obtain from each employee, including managers, at the time of and as a condition to his/her employment, a restrictive covenant concerning later employment. PAI, in its sole discretion, may institute or allow others to institute in its behalf, such action to enforce the terms of such agreement in the event that Franchise Owner fails to take immediate appropriate action. However, nothing herein shall be construed as obligating PAI to commencing any such action or as making it liable in any way for not commencing or pursuing it.

D. Injunctive Relief. Franchise Owner agrees that damages alone cannot adequately compensate PAI if there is a violation of these noncompetitive covenants and that injunctive relief is essential for the protection of PAI. Franchise Owner therefore agrees that in case of any alleged breach or violation of this Section by it, PAI shall be entitled to seek injunctive and equitable relief, in addition to all other remedies that may be available to PAI at equity or law. Franchise Owner further agrees to pay all cost and expenses, including reasonable attorney's fees, incurred by PAI, in enforcing this Section of this Franchise Agreement, or any other part of this Franchise Agreement.

SECTION 24 LIQUIDATED DAMAGES

A. Liquidated Damages. If this Agreement is terminated by the Franchise Owner not in accordance with its terms, or by PAI based on the Franchise Owner's default, the actual damages PAI would suffer for the loss of prospective fees and other amounts payable to it under this Agreement would be difficult if not impossible to ascertain. Therefore, if this Agreement is terminated because of PAI's default, Franchise Owner, within 5 days of such termination, will pay to Franchisor as liquidated damages and not as a penalty a reasonable estimate of the probable damages PAI would suffer for the loss of prospective fees and other amounts payable under this Agreement, calculated as follows:

1. If the Franchised Business has been open for at least 12 months at the time of termination: (a) the average monthly Gross Sales over the 12 months before the termination, multiplied by the applicable Continuing Fee percentages and multiplied by the lesser of 36 or the number of full months remaining in the term of this Agreement (representing the undiscounted Continuing Fee), plus (b) the average monthly Gross Sales over the 12 months before the termination, multiplied by the National Advertising Fee percentage, and multiplied by the lesser of 36 or the number of full months remaining in the term of this Agreement (representing the undiscounted National Advertising Fee); or
2. If the Franchised Business has opened but has not been operating as a Pets Are Inn business for 12 months before the date of such termination: (a) the

average monthly Gross Sales over the period the Franchised Business has been operating multiplied by 12, multiplied by the applicable Continuing Fee percentages, and multiplied by 36 (representing the undiscounted Continuing Fee), plus (b) the average monthly Gross Sales over the period the Franchised Business has been operating, multiplied by the National Advertising Fee percentage (representing the undiscounted National Advertising Fee).

Franchise Owner must also pay taxes on such payments.

SECTION 25 ENFORCEMENT

A. Severability. All provisions of this Franchise Agreement are severable and this Franchise Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Franchise Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Franchise Agreement or any specification, standard or operating procedure prescribed by PAI is invalid or unenforceable, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof, or such invalid or unenforceable provisions, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this Franchise Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

B. Waiver. PAI and Franchise Owner may by written instrument unilaterally waive any obligation of or restriction upon the other under Franchise Agreement. No acceptance by PAI of any payment by the Franchise Owner and no failure, refusal or neglect of PAI or Franchise Owner to exercise any right under this Franchise Agreement or to insist upon full compliance by the other with its obligations hereunder, including without limitation, any mandatory specification, standard, or operating procedure, shall constitute a waiver of any provision of the Franchise Agreement.

C. Continuing Fees. Franchise Owner agrees that it will not, on grounds of the alleged nonperformance by PAI of any of its obligation hereunder, withhold payment of any Continuing Fees or any other amounts due PAI.

D. Cumulative Rights. The rights of PAI and the Franchise Owner hereunder are cumulative and no exercise or enforcement by PAI or the Franchise Owner of any right or remedy hereunder shall preclude the exercise or enforcement by PAI or Franchise Owner of any other right or remedy hereunder or which PAI or Franchise Owner is entitled by law to enforce.

E. Mediation. Except with respect to matters for which a party believes it necessary to seek injunctive or equitable relief, or the termination of this Agreement, the parties shall be

required to enter into mediation of all disputes involving this Agreement, or any other aspect of the relationship between them, for a minimum of four (4) hours, prior to the initiation of any action or proceeding against the other.

1. Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence legal action or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this Section, then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to the parties. The mediation shall be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall either be a retired judge, or a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity), or in franchise law. The parties shall equally share the cost of the mediator. The mediation shall be held in Minneapolis, Minnesota.
2. Except with respect to matters for which a party is permitted to seek injunctive or equitable relief, or in the event of a termination of this Agreement, if either party initiates litigation without complying with their obligation to mediate in accordance with this Section (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section), then upon petition of any party named as a defendant in such litigation, the court shall dismiss the action without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the court refuses for any reason to dismiss the action, then regardless of the outcome of such action, or of any award given by the court in such action, the party initiating the action shall be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this Section.

F. Governing Law, Jurisdiction and Venue, Franchise Owner Notice Prior to Filing Suit. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), and except for the covenants not to compete set forth in Section

23 (which shall be enforced according to the laws of the state in which the Franchised Business is located), this Franchise Agreement and the franchise relationship shall be governed by the laws of the State of Minnesota. Franchise Owner agrees that PAI may institute any action against Franchise Owner to enforce the provisions of this Agreement in any state or federal court of general jurisdiction in the State of Minnesota, and Franchise Owner irrevocably submits to the exclusive jurisdiction of such courts and waives any objection he may have to either the jurisdiction or venue of such court. Nothing set forth herein shall permit the application of the Minnesota franchise laws or any similar law regulating the sale of franchises or governing the relationship of a franchisor and franchisee, unless its jurisdictional requirements are met independently without reference to this Paragraph. Franchise Owner agrees that he or she will give PAI written notice at least seven (7) days prior to filing any lawsuit or legal proceeding against PAI. In the event Franchise Owners fails to give such notice, Franchise Owner agrees that PAI shall have the right to invoke this provision and have the lawsuit dismissed without prejudice.

G. Binding Effect; Modifications. This Franchise Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest. No modification of this Franchise Agreement shall be valid unless such modification is in writing and signed by Franchisee and PAI; provided, however, PAI may unilaterally modify or otherwise change the Operations Manual(s).

H. Entire Agreement. The preambles are a part of this Franchise Agreement, which constitutes the entire agreement of the parties. Provided, however, nothing in this Agreement or in any related agreement is intended to disclaim our representations made in the franchise disclosure document. This Franchise Agreement supersedes and terminates any prior oral or written understandings or agreements between PAI and the Franchise Owner relating to the subject matter of this Franchise Agreement. The headings of the Sections hereof are for convenience only and do not define, limit or construe the contents of such Sections. The term "Franchise Owner/Franchisee" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. References to "Franchise Owner," "Franchisee," "assignees" and "transferee" which are applicable to an individual or individuals shall mean the principal owner or owners of the equity or operating control of Franchise Owner or any such assignee or transferee if Franchise Owner or such assignee or transferee is a corporation or partnership. If the Franchise Owner consists of more than one individual, then all individuals shall be bound jointly and severally by the terms and conditions of this Franchise Agreement.

SECTION 26 NOTICES

All notices to PAI shall be in writing and shall be made by personal service or sent by prepaid United States mail addressed to PAI at its principal place of business, or at such other address as PAI may designate in writing. All notices to the Franchise Owner shall be made by personal service or sent by prepaid United States mail addressed to the Franchise Owner at the Franchised Location, or such other address as the Franchise Owner may designate in writing.

SECTION 27
ACKNOWLEDGMENTS

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

B. Franchise Agreement. The Franchise Owner acknowledges that it has received, read, and understood this Franchise Agreement and that PAI has fully and adequately explained the provisions of it to the Franchise Owner's satisfaction and that PAI has accorded to the Franchise Owner time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Franchise Agreement.

C. Other Franchises. The Franchise Owner acknowledges that other franchisees of PAI have or will be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchises may vary substantially from those contained in the Franchise Agreement.

D. Receipt of Documents. The Franchise Owner acknowledges that it received a copy of this Franchise Agreement at least seven (7) calendar days prior to the date on which this Franchise Agreement was executed. The Franchise Owner further acknowledges that he/she has received a Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Franchise Agreement was executed.

IN WITNESS WHEREOF, the FRANCHISOR and FRANCHISE OWNER have respectively signed and sealed this FRANCHISE AGREEMENT as of the day and year first above written. PAI DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF THE FRANCHISE OWNER'S BUSINESS OPERATIONS UNDER THIS FRANCHISE AGREEMENT.

This is a legal document, which grants specific rights to and imposes certain obligations upon PAI and the Franchise Owner.

FRANCHISE OWNER:

FRANCHISOR:

Pets Are Inn, Inc.
A Minnesota corporation

By: _____
Its: _____

EXHIBIT A

LICENSED TERRITORY

EXHIBIT B

SCHEDULE FOR OPENING

EXHIBIT C

SITE LOCATION OF FRANCHISE BUSINESS

EXHIBIT D

**PERSONAL GUARANTY AND AGREEMENT
TO BE BOUND PERSONALLY BY THE TERMS AND
CONDITIONS OF THE FRANCHISE AGREEMENT**

In consideration of the execution of this Franchise Agreement by PAI, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms, and conditions in this Franchise Agreement, to be paid, kept and performed by the Franchise Owner.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Franchise Agreement and agree that this Personal Guaranty should be construed as though the undersigneds and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The individuals named below hereby acknowledge that they are jointly, severally, and individually guarantying the performance of this Franchise Agreement as set forth herein.

In the Presence of:

PERSONAL GUARANTORS

Individually

Address

Individually

Address

Individually

Address

Individually

Address

EXHIBIT E

PETS ARE INN CONFIDENTIALITY AGREEMENT

(Sample document to be used by Franchise Owner's Employee & Independent Contractors)

I, _____, wish to be employed as an independent contractor by _____, d/b/a Pets Are Inn ("the Company"). I understand that the Company is a franchisee of Pets Are Inn, Inc. ("PAI") and that I will be an employee of the Company not of PAI. I understand that any confidential and proprietary techniques, forms, and methods developed by the Company or by PAI are valuable. Because I wish to be employed by Company in a capacity in which I will have access to confidential and proprietary information, because I wish to learn about the techniques, forms, and methods of the Company and of PAI, and employ such techniques, form, and methods in my job, and in consideration of the compensation, training, and other employee benefits I will receive for my services, I agree with Company and PAI as follows:

1. The words "Confidential Information," as used in this Agreement, mean information to which I have access during my employment that is not generally known and is proprietary to Company or PAI or that Company or PAI treat as proprietary including, but not limited to all Pets Are Inn techniques; forms; trade secrets; systems; know-how; customer and caretaker lists; modes of marketing; methods; records; materials; accounting; selling; and financial information; and plans proposed, discussed, or utilized by the managers, officers, or employees of Company or PAI. Any information disclosed to me or to which I have access during the time of my employment that I reasonably consider to be Confidential Information, or that Company or PAI treats as Confidential Information, will be presumed Confidential Information.

2. I agree that all Confidential Information shall remain the exclusive property of the Company or of PAI, and that I will never, either during or after my employment with Company, reveal the contents of any such Confidential Information to any person or entity not authorized to receive it.

3. When my employment with Company ends, I will promptly turn over to Company all manuals, notes, forms, correspondence, tape recordings, memoranda, notebooks, records, files, written materials, data involving advertising techniques, and all other items that disclose, describe, or embody Confidential Information, including all copies, reproductions, and specimens, regardless of who prepared them. I also agree that I may not, at any time, reproduce or make copies of any Pets Are Inn manuals or materials.

4. Because I recognize that irreparable damage will result to PAI or to Company if I violate any portion of the Agreement, I hereby agree that in the event of any breach by me, or in the event of apparent danger of such breach, PAI and/or Company shall be entitled, in addition

to any other legal or equitable remedies available to them, to an injunction to restrain the violation of any and all such portions of this Agreement by me.

5. This Agreement supersedes all previous and contemporaneous oral negotiations, writings, and understandings between me and the Company concerning the matters in this Agreement.

6. I agree that PAI is intended to be a third party beneficiary of this Agreement, and that PAI shall be entitled to seek enforcement of any provision of this Agreement should it so desire.

7. I understand that this Agreement does not constitute a contract of employment and that my employment with Company is "at-will," meaning that it can be terminated at any time, with or without cause, at the option of either the Company or me. I further understand that no representative of Company has the authority to enter into an agreement contrary to the contents of this paragraph, except in a written contract of employment executed by both an officer of Company and me.

By my signature below, I acknowledge that I have had an adequate opportunity to read and review the foregoing Agreement, and that I am signing this Agreement of my own free will without any duress or coercion being applied to me by the Company.

Dated:

Signature

EXHIBIT F

ELECTRONIC FUNDS TRANSFER AGREEMENT

Account Number

Routing Number

Bank Name (Please Type or Print)

Bank Address

The undersigned hereby authorizes Pets Are Inn, Inc. to initiate debit entries by either electronic or paper means to the undersigned's bank account indicated above at the Bank indicated above, (the "Bank"), and authorizes the Bank to debit the same to such account and to make payment to Pets Are Inn, Inc., 7831 East Bush Lake Road, Suite 200J., Edina, MN 55439, or such other address as may be designated by Pets Are Inn, Inc. The undersigned agrees that in making payment for such charges, the Bank's rights shall be the same as if each were a charge made and signed personally by the undersigned. The Bank shall have no obligation whatsoever regarding the calculation or verification of the amount of any such payments.

This authority shall remain in full force and effect until Pets Are Inn, Inc. and the Bank have received a minimum of 90 day advanced written notice from the undersigned of the termination of authority granted herein. Until the Bank actually receives such notice, the undersigned agrees that the Bank shall be fully protected in paying any amounts pursuant to this authority. The undersigned further agrees that if any such payments are not made, whether with or without cause, and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever to the undersigned.

Printed Name of Franchisee or Franchisee Corporation

Signature of Franchisee (and Title, if signing on behalf of a Corporation)

Date Signed: _____

EXHIBIT F
TERRITORY DEVELOPMENT AGREEMENT

EXHIBIT F

TERRITORY DEVELOPMENT AGREEMENT

THIS TERRITORY DEVELOPMENT AGREEMENT ("TDA") is made and entered into this ____ day of _____, 20__ by and between PETS ARE INN, INC. (the "Company"), and _____ ("Developer").

1. In order to induce the Company to enter into this Agreement, and as consideration therefore, Developer has paid the Company a fee of \$_____ (the "TDA Fee"), the receipt of which is hereby acknowledged. The TDA Fee is the total option price for the number of franchised Locations ("Locations") reserved by Developer as described in Paragraph 4 below at the rate of \$10,000.00 for each of the first two (2) franchise Locations to be developed, and \$5,000 for each additional franchise Location to be developed ("Option Fee").

2. The Company grants Developer, on the terms and conditions set forth below, the right and option to reserve, develop, own and operate the number of Locations specified in Paragraph 4 in the area, described as follows: _____

_____ (the "Territory").

3. If a real estate site is to be acquired/leased pursuant to this Agreement, Developer agrees to comply with standardized site selection criteria, if any, and other conditions established by the Company. Developer will submit to the Company for its acceptance, each site proposed by the Developer for a Location in the Territory. Any Location accepted by the Company will be automatically canceled and withdrawn, and this Agreement will automatically terminate, one hundred twenty (120) days after the date such Location is accepted by the Company (which may be extended in writing at the sole discretion of the Company) unless within the 120-day period Developer: (a) acquires such site by purchase or by lease; and (b) commences the Franchised Business at such Location.

Developer agrees to execute a separate current form of Franchise Agreement and to be bound by all its terms, and to pay the balance of the applicable Initial Franchise Fee, after application of the applicable Option Fee for each Location, no later than thirty (30) days after the Company's written acceptance of such Location.

Upon execution of this Agreement, Developer will pay a royalty based on Gross Monthly Revenue between 10% and 5%, based on the combined (totaled) gross revenue from all the territories from the highest monthly revenue to the lowest monthly revenue, monthly when due:

- 10% of the first \$5,000 00 of gross sales revenue;
- 7.5% of the next \$5,000.00 of gross sales revenue;
- 5.0% of all gross sale over \$10,000

4. Time is of the essence of this development schedule. Developer agrees that this Agreement and all of Developer's rights hereunder may be terminated by the Company in its sole discretion in the event that Developer does not have Franchise Agreements signed and Locations

open and in operation in the Territory in accordance with Paragraph 3 and with the following development schedule:

NUMBER OF LICENSED LOCATIONS	MUST BE OPEN & OPERATING BY
Additional	
Additional	
Additional	
Additional	

Any termination of this Agreement by the Company for Developer's failure to comply with the development schedule set forth above shall not affect any Locations then operated or under construction by Developer for which a Franchise Agreement has been executed by the parties hereto; and all of the parties' rights and obligations under each such Franchise Agreement(s) shall remain in full force and effect unless and until terminated pursuant to its or their own terms.

5. (a) Subject to subparagraph 5(b) the Company agrees that it will not grant to any other party the right to operate, or itself operate, any Locations physically located in the Territory during the period beginning with the date hereof and ending upon the earlier of the opening of the last Location under this Agreement or the last date by which such Location must be open.

(b) Developer's rights under subparagraph (a) of this Paragraph 5 are expressly conditioned on full and timely compliance with the development schedule set forth in paragraph 4 and with continuing compliance with the obligations of Developer under all Franchise Agreements covering Locations in the Territory. In the event Developer at any time shall not be in compliance with the development schedule, then Developer's rights hereunder shall automatically terminate. Notwithstanding the foregoing, the Company can operate or allow others to operate similar or identical businesses within the Territory if such businesses do not operate under the Pets Are Inn trademark, and to operate similar or identical business outside of the Territory under any trademarks even if the businesses compete with a Location in the Territory. The Company can also operate or allow others to operate businesses inside the Territory under the Pets Are Inn mark so long as the businesses are not competitive with Developer's Locations. The Company can sell any products it or its affiliates provide to Developer or its affiliates for use in Developer's Pets Are Inn business to any person, whether in or outside the Territory. The Company can sell or grant third parties the right to sell goods or services competitive with those sold by a Location under the Pets Are Inn mark or otherwise through other distribution channels including the Internet, catalog sales, telemarketing or other direct marketing, in and outside of the Territory. The Company can acquire businesses in the Territory that are similar to a Location or sell its business whether through a sale of assets or stock to anyone, regardless whether they operate or franchise the operation of businesses similar to a Location. The Company will not pay Developer any compensation for soliciting or accepting orders in the Territory.

6. The occurrence of any of the following shall constitute "cause" or an event of default by Developer under this Agreement:

(a) the failure to meet the development schedule and to timely open each

Location set forth in paragraph 4;

(b) the filing by or against Developer of a petition under any bankruptcy, insolvency or similar law; without Developer's causing same to be dismissed within one hundred twenty (120) days of such filing;

(c) any transfer or attempted transfer of this Agreement in violation of Paragraph 7 hereof; or

(d) non-curable default by Developer under any Franchise Agreement with the Company then in existence and termination by the Company as a result of such default.

Upon the occurrence of any event of default or for "cause", the Company may immediately terminate this Agreement without prejudice to any other rights or remedies it may have in law or in equity. Any termination shall not affect any Locations then operating or under construction by Developer for which a Franchise Agreement has been executed by the parties hereto.

7. Any actual or attempted assignment or transfer (as defined in the Franchise Agreement) of this Agreement, by Developer directly or by operations of law, is void and of no effect unless the Company has consented thereto in advance in writing. If the transfer is the sale of the entire TDA and all Territories of Developer to a single purchaser, the transfer fee will be 50% of the then applicable initial franchise fee for the first territory, and \$1,000 for each additional territory. If the transfer of the TDA involves the sale of separate territories to different purchasers, then the transfer fee applicable to each territory is 50% of the then applicable initial franchise fee.

8. Nothing in this Agreement, express or implied, shall give Developer any rights in or to any of the Company's names, trade names, trademarks, service marks, logotypes, or commercial symbols.

9. Any action taken by Developer pursuant to this Agreement, is solely on Developer's own behalf, and under no circumstances shall Developer have any right or authority to bind the Company.

10. Notwithstanding any previous oral or written statements, this Agreement, together with any duly executed Franchise Agreements, constitutes the entire agreement between the parties and may be amended only in writing signed by all parties hereto. No amendment, change or waiver of any of the terms of this Agreement shall be binding upon either party unless the same is in writing and signed by the Company and by Developer.

11. Except with respect to matters for which a party believes it necessary to seek injunctive or equitable relief, or the termination of this Agreement, the parties shall be required to enter into mediation of all disputes involving this Agreement, or any other aspect of the relationship between them, for a minimum of four (4) hours, prior to the initiation of any action or proceeding against the other.

1. Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence legal action or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this Section, then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to the parties. The mediation shall be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall either be a retired judge, or a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity), or in franchise law. The parties shall equally share the cost of the mediator. The mediation shall be held in Minneapolis, Minnesota.

2. Except with respect to matters for which a party is permitted to seek injunctive or equitable relief, or in the event of a termination of this Agreement, if either party initiates litigation without complying with their obligation to mediate in accordance with this Section unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section, then upon petition of any party named as a defendant in such litigation, the court shall dismiss the action without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the court refuses for any reason to dismiss the action, then regardless of the outcome of such action, or of any award given by the court in such action, the party initiating the action shall be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this Section.

12. This Agreement is only effective when executed by the Company following its execution by Developer. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement and the relationship between the parties shall be governed by the laws of the State of Minnesota. Developer agrees that the Company may institute any action against Developer to enforce the provisions of this Agreement in any state or federal court of general jurisdiction in the State of Minnesota, and Developer irrevocably submits to the exclusive jurisdiction of such courts and waives any objection he may have to either the jurisdiction or venue of such court. Nothing set forth herein shall permit the application of the Minnesota franchise laws or any similar law regulating the sale of franchises or governing the relationship of a franchisor and franchisee, unless its jurisdictional requirements are met independently without reference to this Paragraph.

13. If any portion or provision of this Agreement shall be determined to be invalid, void or unenforceable under state or federal law, such determination shall not affect any other provision of this Agreement, and such other provisions shall remain in full force and effect.

14. No delay or omission by either party to exercise any right or remedy hereunder against the other shall impair such right or remedy or any other right or remedy hereunder, or shall be construed to be a waiver of any default or acquiescence thereto. No waiver of any breach of any provision or default under this Agreement shall constitute a waiver of any subsequent breach of such provision or subsequent default.

15. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

16. Notices served under this Agreement shall be in writing and shall be deemed served when there is delivery in person or by messenger or by facsimile or overnight delivery, or by certified mail, return receipt requested, to the following:

A. If to the Company:
Pets Are Inn, Inc.
7831 East Bush Lake Road, Suite 200J
Edina, MN 55439

B. If to Developer:

or at such other address as either party may from time to time specify in writing to the other.

17. This Agreement may be assigned and transferred by the Company to any affiliated corporation or third party on serving written notice to Developer and shall inure to the benefit of the Company's successors and assigns.

IN WITNESS WHEREOF, the Company and Developer have executed this Agreement the day first above written.

[DEVELOPER]

PETS ARE INN, INC.
A Minnesota corporation

By: _____
Its: _____

EXHIBIT G

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TABLE OF CONTENTS OF OPERATIONS MANUAL

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EXHIBIT H

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, PETS ARE INN, INC. (“Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a PETS ARE INN (“PETS ARE INN”) business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit attached to it? Yes____ No____

2. Have you received the Franchise Agreement you are to execute with all the blanks completed? Yes____ No____

If so, on what date did you receive the completed Franchise Agreement? _____

3. Have you personally reviewed the Franchisor's Franchise Disclosure Document we provided to you? Yes____ No____

4. Have you discussed the benefits and risks of operating a PETS ARE INN with an attorney, accountant or other professional advisor and do you understand those risks? Yes____ No____

If not, did you have the opportunity to do so? Yes____ No____

NOTE: Questions 5-11 do not relate to information you may have been given directly by any existing franchisees of Franchisor.

5. Has any employee or other person speaking on behalf of the Franchisor made any written or oral statement or promise concerning the actual revenues, profits or operating costs of a PETS ARE INN Franchise? Yes____ No____

6. Has any employee or other person speaking on behalf of the Franchisor made any written or oral statement or promise regarding the amount of money you may earn in operating the PETS ARE INN Franchise? Yes____ No____

7. Has any employee or other person speaking on behalf of the Franchisor made any written or oral statement or promise concerning the total amount of revenue your PETS ARE INN will generate? Yes____ No____

8. Has any employee or other person speaking on behalf of the Franchisor made any written or oral statement or promise regarding the costs you may incur in operating the PETS ARE INN that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes____ No____

9. Has any employee or other person speaking on behalf of the Franchisor made any written or oral statement, promise or agreement concerning the advertising, marketing, training, support services or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes_____ No_____
10. Has any employee or other person speaking on behalf of the Franchisor made any other written or oral statement, promise or agreement relating to the PETS ARE INN that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes_____ No_____
11. If you have answered “Yes” to any of questions 5-11, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

EXHIBIT I
STATE ADDENDA

PETS ARE INN, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

This Addendum is to a Franchise Agreement dated _____, 20__ between PETS ARE INN, INC. and _____ (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20__.

Franchisor:
PETS ARE INN, INC.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

PETS ARE INN, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT
FOR THE STATE OF INDIANA

This Addendum is to a Territory Development Agreement dated _____, 20__ between PETS ARE INN, INC. and _____ (Developer) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Territory Development Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20__.

Franchisor:
PETS ARE INN, INC.

Developer:

By: _____
Title: _____

By: _____
Title: _____

PETS ARE INN, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The Pets Are Inn, Inc. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 13 of the Franchise Disclosure Document on “Trademarks” is amended by the addition of the following language to the original language that appears therein:

“In the event Franchisee’s right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a “threat”), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law.”

2. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

“With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 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.”

“Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents.”

“Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise 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, 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.

PETS ARE INN, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

This Addendum is to a Franchise Agreement dated _____, 20____ between Pets Are Inn, Inc. and _____ (Franchisee) to amend said Agreement as follows:

1. Section 2 of the Franchise Agreement on Renewal and Section 19 of the Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.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 non-renewal of the franchise agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement.”

2. Section 4 of the Franchise Agreement on Marks is amended by the addition of the following language to the original language that appears therein:

“In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a “threat”), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law.”

3. Section 23 of the Franchise Agreement on Covenants Not to Compete is amended by the addition of the following language to the original language that appears therein:

“These provisions may not be enforceable under Minnesota law.”

4. Section 25.F of the Franchise Agreement on Governing Law/Consent to Jurisdiction is amended by the addition of the following language to the original language that appears therein:

“Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise 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.”

5. 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.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
PETS ARE INN, INC.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

PETS ARE INN, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

This addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____,
between PETS ARE INN, INC. (Franchisor) and _____
_____ to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes
supersedes any provisions of the Franchise Contract or Agreement if such provisions
are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum,
understands and consents to be bound by all of its terms, and agrees it shall become effective the
_____ day of _____, 20____.

Franchisor:
PETS ARE INN, INC.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Indiana	Pending
Minnesota	Pending
Wisconsin	April 8, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT (Your Copy)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If Pets Are Inn, Inc. offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

You must also receive a franchise agreement containing all material terms at least 7 calendar days before you sign any franchise agreement.

If Pets Are Inn, Inc. does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agencies listed in Exhibit B. We authorize the agents listed in Exhibit B to receive service of process on our behalf.

Issuance Date: April 5, 2024

The name, principal business address and telephone number of each franchise seller offering the franchise (check names that apply):

_____ James Platt, at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439 [telephone number (952) 944-8298]
_____ Other: _____, _____

I have received a Franchise Disclosure Document with an issuance date of April 5, 2024. This Franchise Disclosure Document includes the following Exhibits:

A – Financial Statements and Guaranty B – List of State Administrators and Agents for Service of Process C – List of Current Franchisees D – List of Former Franchisees E – Franchise Agreement (FA) F – Territory Development Agreement (TDA)	G – Table of Contents of Operations Manual H – Franchisee Disclosure Questionnaire I – State Addenda
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Date: _____

Signature _____
Print Name: _____
Address: _____
City: _____
State: _____ Zip _____
Phone: _____

Date: _____

Signature _____
Print Name: _____
Address: _____
City: _____
State: _____ Zip _____
Phone: _____

Retain this copy for your records.

RECEIPT (Our Copy)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If Pets Are Inn, Inc. offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

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Issuance Date: April 5, 2024

The name, principal business address and telephone number of each franchise seller offering the franchise (check names that apply):

_____ James Platt, at 7831 East Bush Lake Road, Suite 200J, Edina, Minnesota 55439 [telephone number (952) 944-8298]
_____ Other: _____, _____

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Date: _____

Signature _____
Print Name: _____
Address: _____
City: _____
State: _____ Zip _____
Phone: _____

Date: _____

Signature _____
Print Name: _____
Address: _____
City: _____
State: _____ Zip _____
Phone: _____

This copy should be completed and forwarded to the Franchisor, Pets Are Inn, Inc., 7831 East Bush Lake Road, Suite 200J , Edina, Minnesota 55439, Phone (952) 944-8298