

Special Risks to Consider About *This* Franchise

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

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

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.

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Royalty Fees	6% Gross Sales	Payable on or before 10 th day of month for prior month's operations	Note 2
Local Advertising	A minimum of \$9,000 per year	As incurred	Note 3
Advertising Fund Fee	1% gross sales	Payable on or before 10 th day of month for prior month's operations	
Training Fee	\$3,500 for each staff member other than initial 2 trainees plus the reimbursement costs for air fare and lodging for Franchisor's representative for onsite training.	Additional trainees: Prior to training Airfare/lodging: upon invoicing by Franchisor.	Note 4
Product Purchases	Varies	As incurred	Note 5
Transfer	½ of then current initial franchise fee	Before transfer	Note 6
Audit Fee	Actual cost of audit and all costs and expenses connectd with the inspection of books and records	Upon completion of audit	Note 7
Late Payment	Highest interest rate allowed by law of past due amount, and \$50 administrative fee.	Due upon demand	
Returned Check Fee/Insufficient Funds Fee	\$50 for each returned check	Due upon demand	
Replacement Copy of Operations Manual	\$5,000	As incurred	
Product or Supplier Evaluation	Varies \$395	As incurred	Only if you request our approval of a new product or supplier.
Attorneys' Fees	Will vary with circumstances	As incurred	Note 8
Indemnification	Will vary with circumstances	As incurred	Note 9
Biannual Conference (if any)	Cost of the conference(s)	A minimum of thirty days prior to the conference	You are responsible for all travel, room and board, and salary expense. If we require you to attend a conference or other meeting, you may have to pay a fee.
Additional training due to failure to maintain standards	Will vary depending on circumstances <u>Trainer's salary, plus expenses</u>	As incurred	Note 10
Counseling and Advisory Services	Will vary depending on eircumstances <u>Currently, there is no charge for these services. We provide them as a courtesy to our franchisees, but reserve the right to start charging for them in future.</u>	As incurred	Note 11

ITEM 19. EARNINGS CLAIMS

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

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

Store	2022 Gross Revenue	2023 Gross Revenue	% Difference	\$ Difference
1	\$245,204.00	\$280,558.00	15% Increase	\$35,354.00 Increase
2	\$284,253.00	\$344,680.00	21% Increase	\$60,427.00 Increase
3	\$503,444.00	\$635,500.00	26.5% Increase	\$132,056.00 Increase
4	\$444,834.00	\$660,209.00	48% Increase	\$215,374.00 Increase
5	\$193,116.00	\$220,008.00	14% Increase	\$26,892.00 Increase
6	\$234,239.00	\$239,450.00	2% Increase	\$5,211.00 Increase
7	\$184,876.00	\$236,513.00	28% Increase	\$51,637.00 Increase
8	\$130,435.00	\$176,678.00	36% Increase	\$46,243.00 Increase
9	\$137,495.00	\$220,662.00	61% Increase	\$83,167.00 Increase
Average	\$261,988.44	\$303,837.56	27.94% Increase	\$72,929.00 Increase
Median	\$234,239.00	\$239,450.00	26.50% Increase	\$51,637.00 Increase

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

<p><u>CALIFORNIA</u> Commissioner of Corporations Department of Corporations 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><u>HAWAII</u> (agent for service of process) Commissioner of Securities Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p>(state administrator) Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u> (for service of process) Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531</p> <p>(state agency) Secretary of State Securities division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> (for service of process) Securities Commissioner Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p>(state agency) Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p><u>MICHIGAN</u> Franchise Administrator Consumer Protection Division 670 Law Building Lansing, MI 48913 (517) 373-7117</p> <p><u>MINNESOTA</u> Department of Commerce Director of Registration 85 Seventh Place East, #500280 St. Paul, MN 55101-3165 (651) 296-4026<u>539-1600</u></p> <p><u>NEW YORK</u> (for service of process) Secretary of State New York State Department of Corporations 99 Washington Avenue Albany, New York 11231 (518) 474-4750</p> <p>(for other matters) New York Department of Law Investor Protection Bureau 28 Liberty St. 21st fl, NY, NY 10005 (212) 416-8222</p> <p><u>NORTH DAKOTA</u> Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-4712</p>	<p><u>RHODE ISLAND</u> Department of Business Regulation 233 Richmond Street, #232 Providence, Rhode Island 02903 (401) 222-3048</p> <p><u>SOUTH DAKOTA</u> Department of Revenue and Regulation 445 East Capitol Pierre, South Dakota 57501-3185 (605) 773-4013</p> <p><u>VIRGINIA</u> (for service of process) Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672</p> <p>(for other matters) State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051</p> <p><u>WASHINGTON</u> (for service of process) Director Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p>(for other matters) Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>WISCONSIN</u> Department of Financial Institutions Division of Securities 345 West Washington Avenue 4th Floor Madison, WI 53703 (608) 266-3364</p>
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EXHIBIT "B"
TO
FRANCHISE DISCLOSURE DOCUMENT

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

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

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

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

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

The registered agent of the Franchisor authorized to receive service of process in the state of Illinois is the Illinois Attorney General Chief, Franchise Division, 500 South Second Street, Springfield, IL 62706.

The registered agent of the Franchisor authorized to receive service of process in the state of Minnesota is the Department of Commerce Director of Registration, 85 Seventh Place East, #~~500~~280, St. Paul, MN 55101-3165.

MINNESOTA AMENDMENT
TO PET PASSAGES FRANCHISE AGREEMENT

In recognition of the requirements of CHAPTER 80C. FRANCHISES of Minnesota Law the parties to the attached Franchise Agreement (the "Agreement") agree as follows:

1. Notwithstanding Section 22.8, or anything contained in the Agreement to the contrary, Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. Notwithstanding Section 17, or anything contained in the Agreement to the contrary, with respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, 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; and
- that consent to the transfer of the franchise will not be unreasonably withheld.

4. Notwithstanding anything contained in the Agreement to the contrary, the franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name as required by Minnesota Statute 80C.12 Subd. 1(G).

5. Notwithstanding Section 4.2(f), or anything contained in the Agreement to the contrary, in compliance with Minnesota Rules 2860.4400(D) the franchisor does not require a franchisee to assent to a general release.

6. Notwithstanding Sections 18.1(f) and 19.7, or anything contained in the Agreement to the contrary, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

7. Notwithstanding anything contained in the Agreement to the contrary, all claims must comply with Minnesota Statute 80C.17 Subd. 5. "No action may be commenced pursuant to this section more than three years after the cause of action accrues."

8. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming

reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

Franchisor: Pet Passages Franchising, Inc.

Franchisee:

Name: _____

Name: _____

Title: _____

Title: _____

MINNESOTA ADDENDUM
TO PET PASSAGES FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of CHAPTER 80C. FRANCHISES of Minnesota Law the parties to the attached Franchise Disclosure Documents (the "FDD") agree as follows:

1. Item 1 shall be amended to include the following statements.

Neither the Franchisor nor any person identified in the public offering statement:

- a. has during the ten-year period immediately preceding the date of the public offering statement been convicted of a felony, pleaded nolo contendere to a felony charge, or been held liable in a civil action by final judgment if such felony or civil action involved fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices or misappropriation of property;

- b. is subject to any currently effective order of the United States Securities and Exchange Commission or the securities administrator of any state denying registration to or revoking or suspending the license or registration of such person as a securities broker, dealer, agent, or investment adviser, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange;

- c. is subject to any currently effective order or ruling of the Federal Trade Commission;

- d. is subject to any currently effective injunctive or restrictive order relating to the business which is the subject of the franchise offered or any other business activity as a result of an action brought by any public agency or department; or

- e. has any civil or criminal actions pending against that franchisor or person involving fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices or misappropriation of property.

2. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, with respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute 80C.14 Subd. 3-5, 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; and
- that consent to the transfer of the franchise will not be unreasonably withheld.

4. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, the franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name as required under Minnesota Statute 80C.12 Subd. 1(G).

5. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, in compliance with Minnesota Rules 2860.4400(D) the franchisor does not require a franchisee to assent to a general release.

6. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

7. Notwithstanding anything contained in the Franchise Disclosure Document to the contrary, all claims must comply with Minnesota Statute 80C.17 Subd. 5. "No action may be commenced pursuant to this section more than three years after the cause of action accrues."

8. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

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