

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 1<sup>st</sup> 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, <del>with a monthly minimum</del>	Payable twice-monthly on the 17 <sup>th</sup> day of the month and on the 2 <sup>nd</sup> 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 <sup>th</sup> day of the month and on the 2 <sup>nd</sup> 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)
	income we derive from you		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	<del>¥</del> \$100 per month in which 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 1<sup>st</sup> franchised Business according to the schedule and computation set forth above in this Note 1.

**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 has not been in business for three \(3\) years. 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.

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~~ \$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 17<sup>th</sup> day of each month for business transacted from the 1<sup>st</sup> to the 15<sup>th</sup> of the month ~~or 50% of required minimum Continuing Fee, whichever is greater~~; and (2) on or before the 2<sup>nd</sup> day of each

month for the preceding calendar month for the business transacted from the 16<sup>th</sup> 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

**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. Items 5 and 7 of the Franchise Disclosure Document are amended to include the following:

Based upon the Guarantor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial franchise fees owed by franchisees shall be deferred until the business opens.

2. 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."

23. 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.”

3,4. 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. Sections 5 and 6 of the Franchise Agreement are amended to include the following:

“Based upon the Guarantor’s financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial franchise fees owed by franchisees shall be deferred until the business opens.”

2. 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.”

3. 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.”

34. 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.”

45. 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.”

56. 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: \_\_\_\_\_