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PETS ARE INN®

FRANCHISE DISCLOSURE DOCUMENT

Pets Are Inn, Inc.
7625 Metro Boulevard, Suite 120
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 PETS ARE INN Business that provides an alternative pet boarding service of high quality and distinctive nature.

The estimated total initial investment for your first PETS ARE INN business ranges from $79,950 to $105,150, including $74,000 to $75,000 you must pay the Franchisor. If you elect to enter into a Territory Development Agreement for the right to open multiple PETS ARE INN businesses, your estimated total initial investment ranges from $127,750 to $375,150, including $118,000 to $250,000 you must pay the Franchisor (rights to 2 to 6 Territories).

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.**

We offer the options of delivery of our Disclosure Document by paper copy, email, CD-rom, and downloading from our website. To discuss the criteria needed in order to receive our Disclosure Document before you meet with the Franchisor in person, contact James Platt, at 7625 Metro Blvd, Suite 120, 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 March 15, 2019, as amended August 26, 2019.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit L for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

THE FRANCHISE AGREEMENT REQUIRES THAT LITIGATION BETWEEN THE PARTIES BE CONDUCTED IN THE CITY IN WHICH THE FRANCHISOR'S PRINCIPAL BUSINESS ADDRESS IS THEN LOCATED. CURRENTLY, THAT WOULD BE IN EDINA, MINNESOTA. IF YOU DO NOT LIVE IN EDINA, MINNESOTA, LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO LITIGATE IN EDINA, MINNESOTA.

THE FRANCHISE AGREEMENT STATES THAT MINNESOTA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

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.

THERE MAY BE OTHER RISKS GOVERNING THIS FRANCHISE.

STATE EFFECTIVE DATES

California	April 15, 2019, as amended _____
Indiana	April 11, 2019, as amended August 27, 2019
Minnesota	11/12/92 as amended May 10, 2019, and _____
Virginia	April 30, 2019, as amended _____
Wisconsin	April 11, 2019, as amended August 29, 2019

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ACKNOWLEDGMENT OF RECEIPT

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

To simplify the language in this Franchise Disclosure Document, "PAI" means Pets Are Inn, Inc., the Franchisor. "You" means the person who buys the franchise. 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 7625 Metro Blvd., Suite 120, Edina, Minnesota 55439, telephone number (952) 944-8298. From 2006 to November of 2015, PAI's address was 5100 Edina Industrial Blvd. Suite 208, Minneapolis, Minnesota 55439. PAI's agent for service of process in Minnesota is James E. Platt, Jr., 7723 Tanglewood Court, Minneapolis, MN 55439. In addition, PAI's agents for service of process in Minnesota and other states are listed in Exhibit B.

PAI does not have any predecessors, affiliates or parent companies.

PAI has never operated businesses of the type you will operate. PAI has been offering Pets Are Inn franchises since July of 1993. PAI has not offered and does not offer franchises in other lines of business.

PAI franchises the right to operate a pet boarding system. 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. Boarding animals in private homes eliminates the need for a central boarding facility or a "typical" kennel. Pets are matched to the Host Family from a detailed questionnaire that identifies characteristics and personality traits of both the pet and Host Family. From this analysis, the most compatible environment and Host Family is chosen for the pet. The Pets Are Inn franchise provides round trip transportation from the pet's home to the 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.

Pets Are Inn is a home-based business, and there is little inventory required for a Pets Are Inn franchise. A business vehicle, computer, answering service, and telephone are necessary.

Your franchised 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.

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., a Minnesota corporation, which is a Pets Are Inn franchise located in Minneapolis, 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., in Minneapolis, Minnesota. From July 1978 to the present, he has owned American Realty, Inc., a Minnesota corporation, in Minneapolis, Minnesota.

3. LITIGATION.

No litigation is required to be disclosed in this Item.

4. BANKRUPTCY.

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

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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 the sum of $10,000.00 ("Option Fee") for the 1st and 2nd Franchise Businesses to be developed, and $5,000 for each additional Franchised Businesses to be developed. For example, if your TDA provides that you will open 4 Franchised Businesses, the total TDA Fee will be $30,000. For each Franchised Business you establish, $10,000 will be credited against the 1st two initial Franchise Fees, and $5,000 toward the additional Franchised Business.

Franchised Business	Total Franchise Fee
1st	$65,000
2nd	$45,000
3rd and each subsequent	$20,000

For your first Franchised Business, after applying the Option Fee, you will pay the following Net Franchise Fee:

Franchised Business	Net Franchise Fee
1st	$55,000
2nd	$35,000
3rd and each subsequent	$15,000

You will lose such Option Fees for Franchises which you fail to open within 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.

In addition to the initial Franchise Fees and TDA Fee, you must pay PAI the Initial Advertising Fee of $7,500 within 60 days from the date of the Franchise Agreement or the date you open for business, whichever comes first. See Items 7 and 11. The Advertising Fee is not refundable in whole or in part under any circumstances.

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 $2,500 (see Item 8).

In our most recent fiscal year, we did not vary the franchise fees for any of our franchisees from the amounts stated in the Franchise Disclosure Documents and Franchise Agreements furnished them.

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6. OTHER FEES.

Type of Fee	Amount	Due Date	Remarks (References in parentheses are to the Franchise Agreement)
Royalty (Note 1)	5% to 10% of Gross Sales, with a monthly minimum.	Payable twice-monthly on the 17th day of the month and on the 2nd 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 (Note 2)	1% of Gross Sales	Payable twice-monthly on the 17th day of the month and on the 2nd day of the next month.	Fees are placed in an Advertising Fund managed by PAI. PAI will provide an annual unaudited statement of receipts and disbursements.
Advertising your geographic Area (Note 3)	6% of Gross Sales	Established by you.	All advertising is to be approved in writing by PAI prior to its use.
Cooperative Advertising (Note 4)	5% of Gross Sales	Payable twice-monthly on the 17th day of the month and on the 2nd day of the next month.	
Additional Training Fee (Note 5)	$1,000 per person	10 days after billing	
Onsite Training	$2,500 per visit	10 days after billing	Payable only if you request onsite training (Section 13.D.)
Central Reservation Fee	$50 for booking a new customer; $20 for booking an existing customer	10 days after billing	If we implement a central reservations program, and we generate bookings for you, you must pay this fee. (Section 10.A.)
Software Maintenance Fee	$25 twice a month	Same due dates as Royalty Fee	This fee is for our maintenance of and your access to our proprietary software (Section 10.B.)
Interest	1-1/2% per month	Immediately upon billing	Payable only if you are delinquent in your payments to us (Section 6.B.)
Late Fee	Greater of 5% of delinquent amount or $50	Immediately upon billing	Payable only if you are late in your payments to us (Section 6.C.)
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. (Section 6.D.)
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. (Section 11)

Type of Fee	Amount	Due Date	Remarks (References in parentheses are to the Franchise Agreement)
Underpayment Penalty	3 times the amount of your underpayment	Immediately upon billing	If an audit reveals that you underpaid us for the Royalties or any other fees, you must pay us 3 times the amount of your underpayment. (Section 11)
Lost Manual or Software Fee	$5,000	Immediately upon billing	If you fail to return to us the Manuals or Computer Software upon termination or expiration of the franchise, you must pay this fee (Section 12.C.)
Attorney's Fees	Amount we incur	Immediately upon billing	Payable to PAI if PAI prevails in any action (Section 22.C)
Insurance (Note 6)	$675 per year	On demand.	Payable only if PAI pays your premiums when you fail to do so (Section 15)
Indemnification	Varies	As incurred	You must reimburse PAI for any liability or cost incurred by it by reason of your operation of the Business (Section 15)
Payment for Violating Covenant Not to Compete	25% of gross income from your competing business	On demand	If you violate the covenant not to compete, you must pay us 25% of your gross income from your competing business. This payment is not our exclusive remedy. (Section 24.A.)
Transfer (Note 7)	20% 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.	
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.
Penalty for Non-Compliance with Franchise Agreement	$100 per day	On demand	You must pay a $100 per day penalty if you are in default of your Franchise Agreement, including failure to submit reports or pay fees when due, non-compliance with operating standards as set forth in the Operating Manuals, or other defaults. This penalty does not limit or serve as a waiver of our other rights and remedies under

Type of Fee	Amount	Due Date	Remarks (References in parentheses are to the Franchise Agreement)
			the Franchise Agreement.

All fees are imposed, collected and payable to PAI. All fees are nonrefundable. All fees apply to each of the franchises offered unless so noted.

We reserve the right to require you to make all payments to us by means of electronic fund transfer ("EFT"). In that event, you must cooperate with us in providing us the necessary forms and authorizations to initiate EFTs from your bank account.

Note 1. Royalties

Royalties Under Franchise Agreement (single Franchised Business)

You shall pay to PAI a monthly royalty 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;

or the following amounts:

- $100 per month for the first year the franchise is in operation.
- $200 per month for the second year the franchise is in operation.
- $400 per month starting the third year and for the remaining duration of the Franchise Agreement.

You shall pay the monthly royalty 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.

Royalties Under Territory Development Agreement

If you have entered into a TDA at the same time as you sign the Agreement, you pay Royalties 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 royalties are the same percentages as stated above with the exception that the royalty percentages are based on total aggregate Gross Sales from all your Franchised Business. However, the monthly minimum amounts apply to each individual Franchised Business. If you open more

Franchised Businesses than those for which you have paid Option Fees under the TDA, the full 10%, 7.5%, 5% royalties and minimums as set forth in the Franchise Agreement will be assessed for such additional Franchised Businesses, and you will not be entitled to combine the Gross Sales from such additional Franchised Businesses with the Franchised Businesses you develop under your TDA.

Note 2. You will pay to PAI 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. You will spend 6% for Local Advertising and furnish PAI evidence of such expenditures.

Note 4. You will pay to PAI 5% in a Cooperative Advertising Fund to be used in your Advertising Area. Payments will be made 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. Such payments will reduce the amounts required to be spent by you for Local Advertising. PAI administers such fund and accounts to you annually.

Note 5. 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 13.A.)

Note 6. We offer you insurance through our master policy (see Item 8). Currently the annual premium is $675. The first year's premium for you is included in the Franchise Fee Thereafter, if you elect to obtain your insurance under our master policy, you must pay us, in advance, the annual premium.

Note 7. 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 20% 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 20% 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 20% of the then applicable initial franchise fee.

7. 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)	$7,500	Lump sum	60 days of signing	PAI
Real Estate and Improvements (Note 3)	0-$2,500	Lump sum	As arranged	Vendors, contractors
Mini Van (Note 4)	$1,050 - $18,000	As arranged	As arranged	Vendors, Lessors
Insurance (Subject to change) (Note 5)	$0	Included in Franchise Fee	Beginning with the 2nd year	PAI or approved vendor
Supplies and Printing (Note 6)	$1,500 to $2,500	Lump sum	At signing	PAI or approved vendor
Boarding Supplies (Note 7)	$500 to $1,000	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)	$1,500 to $3,500	Lump sum	At signing	Vendors
Facsimile Machine	$150	Lump sum	Prior to commencement of business	Vendor
Additional Funds (Note 10)	$2,000 to $4,000	As incurred	As incurred	Varies
Totals	$79,950 to $105,150	Various	Various	Various

NOTES:

(1) See Item 5.

(2) You will pay PAI the Initial Advertising Fee of $7,500, which shall be due and payable 60 days from the date of the Franchise Agreement or date of opening whichever comes first. The Advertising Fee payable to Pets Are Inn, Inc. is to be held in a separate advertising account and is payment in part for administration together with advertising costs that will be incurred for initial grand opening and ongoing advertising fees.

(3) You must purchase 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 as a Home Based Business, and you will not incur real estate or leasehold improvement costs.

(4) The Mini-Van vehicle must be a Chrysler, Dodge Caravan or Plymouth Voyager or other vehicle pre-approved by us prior to purchase/lease. You may lease or purchase the vehicle, but it must not be more than 3 years old. The vehicle must be white. If you already have a van meeting these criteria, you may use it. If you purchase a van, the estimated monthly payment is $350 to $450. If you purchase a used or new van, the estimated cost is $10,000 to $18,000. The low estimate assumes you rent a van at a monthly rental of $350, and the high estimate assumes you purchase a new van.

(5) The first year's premium for you is included in the Franchise Fee. See Items 6 and 8.

(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. You need not purchase computer and software packages if you already have computer and software that meet PAI's specifications.

(10) Additional Funds - 3 Months. This estimate covers a portion of your anticipated business operating costs including additional supplies, fuel, royalty fees, advertising fees, payroll, rent, other initial costs and expenses for the first 3 months. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. 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. Using a 3-month period is not a representation or guarantee that you will break even sometime during the first 3 months your business is open, nor is it intended to provide a benchmark as to when you will break even. NOTE: These figures do not include draw or salary for you. You should have additional sources for payment of personal living expenses.

We have compiled these estimates based on the experience of a prototype business in Minneapolis, 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.

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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**
Option Fee (Note 1)	$10,000 - $40,000	Lump sum	At signing of TDA	PAI
Initial Franchise Fee (Note 2)	$90,000 - $150,000	Lump sum	At signing	PAI
Initial Advertising Fee (Note 3)	$15,000 - $45,000	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)	$2,100 - $108,000	As arranged	As arranged	Vendors, Lessors
Insurance (Subject to change) (Note 6)	$0	Included in Franchise Fee	Beginning with the 2nd year	PAI or approved vendor
Supplies and Printing (Note 7)	$3,000 to $15,000	Lump sum	At signing	PAI or approved vendor
Boarding Supplies (Note 8)	$1,000 to $6,000	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)	$1,500 to $3,500	Lump sum	At signing	Vendors
Facsimile Machine	$150	Lump sum	Prior to commencement of business	Vendor
Additional Funds (Note 11)	$2,000 to $4,000	As incurred	As incurred	Varies
Totals	$127,750 to $375,150	Various	Various	Various

NOTES:

This table assumes the TDA is to develop between 2 and 6 territories. If a range is shown, the low estimate is for 2 territories, and the high estimate is for 6 territories.

(1) See Item 5.

(2) See Item 5.

(3) For each Territory, you must pay PAI the Initial Advertising Fee of $7,500, which shall be due and payable 60 days from the date of the Franchise Agreement or date of opening whichever comes first. The Advertising Fee payable to Pets Are Inn, Inc. is to be held in a separate advertising account and is payment in part for administration together with advertising costs that will be incurred for initial grand opening and ongoing advertising fees. The low estimate assumes you have 2 Territories, and the high estimate assumes you have 6 Territories.

(4) For a TDA, you must have an office outside of your home.

(5) You must have at least 1 Van per Territory. The Mini-Van vehicle must be a Chrysler, Dodge Caravan or Plymouth Voyager or other vehicle pre-approved by us prior to purchase/lease. You may lease or purchase the vehicle, but it must not be more than 3 years old. The vehicle must be white. If you already have a van meeting these criteria, you may use it. If you purchase a van, the estimated monthly payment is $350 to $450. If you purchase a used or new van, the estimated cost is $10,000 to $18,000. The low estimate assumes you have 2 Territories, and you rent 2 vans each at a monthly rental of $350. The high estimate assumes you have 6 Territories, and you purchase 6 new vans.

(6) The first year's premium for you is included in the Franchise Fee. See Items 6 and 8

(7) For each Territory, 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.

The low estimate assumes you have 2 Territories, and the high estimate assumes you have 6 Territories. See Item 8 for required purchases from us for logoed items.

(8) For each Territory, 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. You need not purchase computer and software packages if you already have computer and software that meet PAI's specifications.

(11) Additional Funds - 3 Months. This estimate covers a portion of your anticipated business operating costs including additional supplies, fuel, royalty fees, advertising fees, payroll, rent, other initial costs and expenses for the first 3 months. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. 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. Using a 3-month period is not a representation or guarantee that you will break even sometime during the first 3 months your business is open, nor is it intended to provide a benchmark as to when you will break even. NOTE: These figures do not include draw or salary for you. You should have additional sources for payment of personal living expenses.

We have compiled these estimates based on the experience of a prototype business in Minneapolis, 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.

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8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

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.

In our fiscal year 2018, we derived $0 in revenues from purchases of supplies from us by Franchisees. That figure represents 0% of our total revenue of $155,080 in 2018. These figures are from our audited financial statements for fiscal year ended December 31, 2018.

You must access PAI's proprietary software via the Internet. See Item 11.

We have approved College Press, in St. Paul, Minnesota, as a supplier of printing supplies, and Armor Die Cutting, in Ham Lake, Minnesota, as a supplier of magnets.

In addition, we have established specifications for certain supplies, printing materials, vehicle signage, software, and vehicle. 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.

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.

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, POS System, 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 be issued by an insurance carrier approved by us. You must maintain Comprehensive Public Liability insurance with complete operations coverage with limits of at least $1,000,000 per occurrence and $2,000,000 aggregate, including "Hired and Non-Owned" auto liability coverage. You must also carry liability insurance covering animals belonging to others with limits not to exceed $1,000 per incident. We can require you to obtain different or additional kinds of insurance and may increase the amount of coverage required. You must name, on each insurance policy, Pets Are Inn, Inc., 7625 Metro Boulevard, Edina, Minnesota 55439 as an additional insured on a primary basis. The policy must provide for 30 days' prior written notice to PAI of any material modification, cancellation or expiration of the policy.

We currently offer insurance through our master policy. If you do not elect to purchase insurance through us, you must use a carrier we approve. We do not derive any revenues from your purchase of insurance through our master policy.

Territory Development Agreement

The Territory Development Agreement does not contain any provisions requiring you as Developer to purchase or lease in accordance with specifications or from approved suppliers. As to each Franchised Business you open, you will have the obligation to purchase or lease in accordance with our specifications or from approved suppliers as are in the then current standard form of franchise agreement. The obligations under the current Franchise Agreement are discussed above.

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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.A, E Section 14. A,C	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 13	Item 11
e. Opening	Section 7	Item 11
f. Fees	Sections 2, 5, 6, 7, 8, 9, 10, 13 19, 20, 22, 25	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 2, 4, 13, and 14	Item 11
h. Trademark and proprietary information	Sections 4 and 22	Items 13 and 14
i. Restrictions on products/ services offered	Section 14	Item 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quota	None	None
l. Ongoing product/ service purchases	None	Item 8
m. Maintenance, appearance and remodeling requirements	None	None
n. Insurance	Section 15	Item 6
o. Advertising	Sections 7, 8 and 9	Item 6
p. Indemnification	Section 18	None
q. Owner's participation/ management staffing	Section 13	Item 15
r. Records/reports	Sections 17 and 20	Item 6
s. Inspection/audits	Section 11	Items 6 and 11
t. Transfer	Section 19	Item 17
u. Renewal	Section 2	Item 17
v. Post-termination obligations	Section 22	Item 17
w. Non-competition Covenants	Section 24	Item 17
x. Dispute/Dispute Resolution	Sections 12 and 14	None

Territory Development Agreement (TDA)

OBLIGATION	SECTION IN TDA	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
a. Site Selection and acquisition/lease	Section 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 5	Item 11
f. Fees	Sections 1, 3, 4	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 5	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
r. Records/reports	None	Not Applicable
s. Inspections/audits	None	Not Applicable
t. Transfer	None	Not Applicable
u. Renewal	None	Not Applicable
v. Post-termination obligations	Section 7	Item 17
w. Non-competition covenants	Section 7	Item 17
x. Dispute resolution	None	Not Applicable

10. FINANCING

We may, in certain instances, offer financing to you in an amount up to $10,000 toward your initial franchise fee. The following table summarizes these financing arrangements.

Source of Financing	Us
Amount Financed	Up to $10,000
Down Payment	Balance of franchise fee
Term (number of months)	60 months
Rate of interest	Prime plus 5%, adjusted annually
Finance charge	None
Monthly Payment	Varies depending on amount financed and applicable interest rate
Prepayment Penalty	None
Security Required	Security Interest in your Franchise Agreement, accounts, tangible property
Guarantee	Personal guarantee from your owners
Liability upon Default	Termination of Franchise; you must pay entire amount due, plus our attorneys fees and court costs in collecting debt
Loss of Legal Rights Upon Default	None

If you finance a portion of your franchise fee with us, you must sign the Secured Promissory Note With Personal Guaranty ("Note") and Security Agreement, which are attached to this disclosure document as Exhibits I and J. The Note provides that you waive any and all presentment, demand, notice of dishonor, protest, and all other notices and demands in connection with the enforcement of our rights under the Note. You also consent to, and waive notice of release, of any of the signers of the Note or of any collateral secured pursuant to the Security Agreement.

We do not intend to sell or assign to a third party all or part of the Note. We do not receive any payments for the placement of financing with any person. We do not guarantee your note, lease or obligation.

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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 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 12 of Franchise Agreement);

(2) designate the necessary equipment and supplies for a Pets Are Inn business (Section 4 of Franchise Agreement);

(3) offer for purchase various forms, office supplies, and software (Section 14 of Franchise Agreement).

(4) provide instruction and training with respect to the Pets Are Inn methods and techniques in Edina, Minnesota (Section 13 of Franchise Agreement);

During the operation of the franchise business, PAI will:

(1) provide ongoing consultation and training for the duration of the agreement (Section 13 of Franchise Agreement);

(2) provide updates to the Operations Manual from time to time (Section 12 of Franchise Agreement); and

(3) offer for purchase various forms and office supplies (Section 14 of Franchise Agreement.)

Initial Advertising Fee. The Franchise Owner shall pay PAI an Advertising Fee of $7,500, which shall be due and payable 60 days from the date of the Franchise Agreement or date of opening whichever comes first. The Advertising Fee payable to Pets Are Inn, Inc. is to be held in a separate advertising account and is payment in part for costs that it will be incurred for administration, initial grand opening and ongoing advertising fees as described in Item 7. The Advertising Fee is not refundable in whole or in part under any circumstances.

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

National Advertising. PAI conducts national advertising for the Pets Are Inn system. This advertising is usually disseminated through the print media. The coverage of the media may be local, regional, or national in scope. PAI creates its own advertising. However, PAI may in the future use an advertising agency. PAI does not allow you to use your own advertising material for national advertising. See Item 6 for the amount you need to contribute to the fund.

All Advertising Fees shall be placed in an Advertising Fund managed by PAI. Reasonable disbursements from the Advertising Fund will be made solely 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 reasonable 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. PAI will provide the Franchise Owner with an annual unaudited statement of the receipts and disbursements of the Advertising Fund.

If all Marketing Fund Contributions are not spent in the fiscal year in which they accrue, the monies are simply rolled over for use in the next year.

For the fiscal year ending December 31, 2018 the following was expended from the National Advertising Fund.

Expenditure	**Percentage**
Events	12.4%
Print Media	6.2%
Internet/Web Site Support	69.8%
Postage	2.5%
Brand Marketing	4.6%
Administrative	0%

We are not required to spend any amount in your market. The National Advertising Fund is not used for the solicitation of new franchise owners.

Advertising by Franchise Owner. In addition to the national advertising fee, you must spend at least 6% of Gross Sales for advertising and promotion in your geographic area. You must advertise and promote the trade name "Pets Are Inn" in both the white and yellow pages of the telephone directory in your Territory. The display ad in the yellow pages must include the PETS ARE INN authorized service mark and logo. You must utilize a bona fide answering service. All advertising must be approved in writing by PAI prior to use. If the annual audit we conduct reveals that you spent less than 6% of your Gross Sales on local advertising, you must pay us the difference, which we will place or use in the National Advertising Fund.

Local Marketing Cooperatives. You will pay to PAI 5% in Cooperative Advertising Fund to be used your Advertising Area. Payment will be as identified in Item 6. above with the exception that no minimum fees are required. Such payments will reduce the amounts required to be spent by you for Local Advertising. PAI administers such fund and accounts to you annually.

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 $1,500 to $3,500 (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).

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 170 pages.

Site Location. 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.

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. You must open your Franchised Business within 120 days of signing your Franchise Agreement (Section 14.A. of the Franchise Agreement).

Training. The Pets Are Inn training program is conducted at PAI's headquarters in Minneapolis, Minnesota (7625 Metro Blvd., Suite 120, Edina, Minnesota 55439) 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 PAI 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 at 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. You must attend 5 days of training at our offices in Edina, Minnesota.

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	LOCATION
Operations Manual	1 hr	Not Applicable	7625 Metro Blvd., Suite 120, Edina, Minnesota 55439
Marketing	1.25 hrs	Not Applicable	Same
Demographics	1.5 hrs	Not Applicable	Same
Pricing and Profitability	1.5 hrs	Not Applicable	Same
Host Families	3.5 hrs	Not Applicable	Same
Accounting	2.5 hrs	Not Applicable	Same
Computer Know-how	2.25 hrs	Not Applicable	Same
Scheduling	1 hr	Not Applicable	Same
Pets	2 hrs	Not Applicable	Same
Insurance	1 hr	Not Applicable	Same
Contracts/ Independent Contractors	1 hr	Not Applicable	Same
Networking	2.5 hrs	Not Applicable	Same
Business Review	1.25 hrs	Not Applicable	Same
Pets Are Inn In Action	Not Applicable	3 hrs	Same
Role Playing	2.25 hrs	Not Applicable	Same

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

PAI 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, including the annual meeting. You must pay for your 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."

We also offer onsite training at a charge of $2,500 per visit.

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12. TERRITORY

You will be granted an exclusive territory usually 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. Prior to 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, PAI cannot operate or establish another franchise to operate a Pets Are Inn business within your territory or a similar or competitive business within your territory. The continuation of the exclusivity of territory is not dependent upon sales volume, market penetration or other contingency. Your territory cannot be modified except by mutual agreement of the parties.

We may not solicit or accept orders from consumers inside your territory. We have not used nor do we reserve the right to use other channels of distribution (such as the Internet, catalog sales, telemarketing, or other direct marketing sales) to make sales within our Franchisees' territory using our principal trademarks, or under trademarks different from the ones you will use under the Franchise Agreement.

The TDA, Exhibit F, grants you a specific protected territory (the "Territory") within which you pay a lump sum non-refundable Territory Development Fee ("TDA Fee") equal to $5,000 ("Option Fee") times the number of Franchises to be developed within the Territory pursuant to a development schedule. Each Option Fee of $5,000 will be credited against the applicable initial Franchise Fee set forth in Item 5 above, as each Franchise is developed. 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 Territory Development Agreement. In such event, you will lose any unused Option Fees.

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

You have no options, rights of first refusal or similar rights to acquire additional franchises in any other locations.

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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"). PAI 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. PAI 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. The marks are not registered in any state. There is no litigation involving the principal trademark or infringement of the principal trademark. All required affidavits and renewal applications have been filed.

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 above-referenced Marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to you. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in this state of any other state in which the franchised business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Mark.

In the event of any infringement of, or challenge to, your use of any name or mark, you are obligated to immediately notify PAI. PAI will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify you from any loss, costs or expenses arising out of the claim, suit, or demand regarding the use of the name. PAI has sole discretion to take such action as it deems 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.

However, if anyone establishes to PAI's satisfaction that its rights are, for any legal reason, superior to any of PAI's, then you must at your expense use such variances or other marks as required by PAI to avoid conflict with such superior rights.

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14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

PAI claims copyrights in its Operations Manual and related materials used in the operation of the Franchise. Such copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the copyright laws of the United States by virtue of PAI placing the appropriate notice of copyright on such items. 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 PAI which could materially affect your use of the copyrighted materials in any state where the Franchise is to be located. PAI is not obligated under any agreement to protect or defend its copyrights.

No other patents or copyrights are material to the franchise.

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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 Franchise or in a corporate or partnership franchisee. The manager must sign a Confidentiality and Non-Competition Agreement (attached as Exhibit F to the Franchise Agreement) to maintain confidentiality of the trade secrets described in Item 14 .

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Pets Are Inn business is involved solely in the boarding of domestic, household pets. You may only offer approved goods or services under the Pets Are Inn name. PAI has the right to add additional authorized goods or services that you must offer. There are no limits on PAI's right to add additional goods or services.

You are not restricted as to the customers to whom you may provide Pets Are Inn services. However, all pets boarded by you should be appropriate for home placement; i.e., pets must not have any history of biting or viciousness.

You must not discriminate in your dealings with customers (in the services or products you provide, in the access to your services and products, or by refusing to provide services and products) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin or disability, and you must comply with our antidiscrimination standards"

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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.	Term of Franchise Agreement is for 10 years.
b. Renewal or extension of the term	Section 2.B.	If you are in good standing you can add additional terms of 5 years.
c. Requirements for Franchisee to renew or extend	Sections 2.B. and 2.C	Written notice of 180 days prior to end of Franchise Agreement that you are going to renew, complied with material terms of license agreement and material operating and quality standards, pay all money owed to PAI and have done so in a timely manner, sign new agreement, make all reasonable capital expenditures and pay a renewal fee equal to 10% of the then-current Franchisee Fee, due 30 days before renewal date. The renewal agreement may contain materially different terms and conditions than your original contract, but the royalty fee will not be greater than the royalty fee that PAI then imposes on similarly-situated renewing franchisees
d. Termination by Franchisee	Section 21	If PAI violates any material provision, term or condition of the Franchise Agreement, you can terminate.
e. Termination by PAI without cause	None	Not applicable
f. Termination by PAI with cause	Section 20	PAI can terminate only if franchisee defaults.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Section 20.B	You have 60 days to cure: non-payment of fees non-payment of liabilities, not purchasing any equipment required for the operation of a Pets Are Inn business, abandonment, you or your employees are convicted or plead guilty to or no contest to a felony or law relating to the Pets Are Inn business, failure to conform to the Business System, you are insolvent or bankrupt, make an assignment to creditors and trademark misuse or your business remains in an "inoperative state" for any period of 30 consecutive days.
h. "Cause" defined –non-curable defaults	Section 20.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.
i. Franchisee's obligations on termination/nonrenewal	Section 20	Return PAI's Operations Manual and other manuals. Obligations include complete identification and payment of amounts due (see also "r" below).
j. Assignment of Franchise Agreement by PAI	Section 19.A	No restriction on PAI's right to assign except prior written notice must be given to you.
k. "Transfer" by Franchisee -definition change	Section 19	Includes transfer of Franchise Agreement or assets or ownership.
l. Franchisor's approval of transfers by Franchisee	Section 19.C	PAI has the right to approve all transfers but will unreasonably withhold approval.
m. Conditions for Franchisor's approval of transfer	Section 19.C	All of your obligations under the Franchise Agreement have been satisfied, you agree to perform all 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

Provision	Section in Franchise Agreement	Summary
p. Death or disability of Franchisee	Section 19.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 PAI, new franchisee qualifies, training completed by new franchisee, new franchisee executes the then-current Franchise Agreement; transfer fee paid.
q. Non-competition covenants during the term of the franchise	Section 24.A	No involvement in competing business.
r. Non-competition covenants after the term of the franchise	Section 24.B	No competing businesses for 2 years within 60 miles of your former territory or any other Pets Are Inn territory.
s. Modification of the agreement	Section 25.A	Operating Manual subject to change.
t. Integration/merger clause	Section 25.G	Only the terms of the Franchise Agreement and representations in this disclosure document are binding (subject to federal law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	Not applicable
v. Choice of forum	Section 25.E	Courts in state in which our principal office is located (currently Minnesota) (subject to state law; see applicable State addendum)
w. Choice of law	Section 25.E	Except to the extent governed by the U.S. Trademark Act of 1946, the Franchise Agreement and Franchise relationship shall be governed by the laws of the State of Minnesota (subject to state law; see applicable State addendum).

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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 7	PAI can terminate only if Developer defaults.
g. "Cause" defined – curable defaults	Section 7	Failure to meet development schedule, failing in bankruptcy, unauthorized transfer, cross default with Franchise Agreement.
h. "Cause" defined –non-curable defaults	Section 7(d)	Non-curable default set forth in Section 20 of the Franchise Agreement
i. Franchisee's obligations on termination/nonrenewal	Section 7	Your individual Locations are not automatically terminated even if your TDA is terminated.
j. Assignment of TDA by PAI	Section 17	No restriction on PAI's right to assign except prior written notice must be given to you.
k. "Transfer" by Franchisee -definition change	Section 8	PAI must consent to transfer
l. Franchisor's approval of transfers by Franchisee	Section 9	
m. Conditions for Franchisor's approval of transfer	None	Not applicable
n. Franchisor's right to first refusal to acquire Franchisee's business	None	Not applicable

Provision	Section in Territory Development Agreement	Summary
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 11	Requires written agreement by both parties
t. Integration/merger clause	Section 11	Only the terms of the TDA and representations in his disclosure document are binding (subject to federal law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	Not applicable
v. Choice of forum	Section 12.	Courts in state in which our principal office is located (currently Minnesota) (subject to state law; see applicable State addendum)
w. Choice of law	Section 12	Except to the extent governed by the U.S. Trademark Act of 1946, the TDA shall be governed by the laws of the state in which our principal office is located (currently Minnesota) (subject to state law; see applicable State addendum).

18. PUBLIC FIGURES

PAI does not use any public figure to promote its franchise.

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.

This Item 19 contains 4 separate sets ("Parts") of information:

I. Categories of different aspects of Franchisee operations.

II. The number of years current franchisees have been in business and the number of franchise territories they operate as of December 31, 2018.

III. Pro Forma, showing estimated annual income and operating expenses for 2018.

IV. 4 Franchisees data – Average Revenue per Pet Day Boarded, and Annual Revenue each year from the date each Franchisee opened.

NOTE: All units used in all calculations have been in operation for at least one year.

Part I: Categories of different aspects of Franchisee operations, including: (A) average revenue per pet day, (B) host family expenses, (C) annual gross revenue in 2018, (D) cost of goods by percentages, (E) operating income by percentages, (F) Number of Pets boarded; (G) Number of Pet Days Boarded; (H) Number of Invoices per Franchisee; and (I) Number of Pet Days Boarded per Invoice. Within each Category, the highest, lowest, average, and median figures are furnished.

CATEGORY	AVG/ PET DAY BOARDED 2018 Actual	High	Low	Median
Revenue: (Average)				
Lodging	$39.30	$43.47	$35.35	$37.79
Transportation	$ 5.14	6.60	3.37	7.12
Total	$44.49	$49.97	$38.72	$44.90

CATEGORY	AVG/ PET DAY BOARDED	High	Low	Median

	2018 Actual			
Days Lodged/Pet	6.85	8.48	5.96	6.72
Host Family Expense/Pet Day	$11.71	$12.90	$10.31	$12.02
% Advertising Expense to Gross Revenue	7.4%	10.1%	4.7%	7.1%

Gross Revenue / Franchisees "Reported" for 2018	**2018 AVG**	**High**	**Low**	**Median**
Gross Revenue	$156,395	$312,860	$52,124	$157,640

PER FRANCHISE

Cost of Goods Sold
(Includes Host Family Expense/Royalty & National Advertising)

	2018 Actual	
High	40.9%	Franee highes COGS
Low	30.5%	
Average	35.6%	
MEDIAN	**33.3%**	

Operating Income
(Gross Revenue minus Cost of Goods Sold)

	2018 Actual	
High	69.5%	Franee highes OPInc
Low	59.5%	FraneeLowest OPInc
Average	64.4%	
MEDIAN	**66.7%**	

of " Pets " Lodged/Boarded

	2018 Actual	
High	970	Franchise highest PetsBoarded
Low	147	
Average	506	
MEDIAN	**509**	

# of Pet "Days" Lodged/Boarded **2018 Actual**

High	6765	Franchise highest Pet DaysBoarded
Low	1246	
Average	3474	
MEDIAN	**3230**	

# of " Invoices" per Franchise	**2018 Actual**	
High	899	Franchise Higest#Inv's
Low	118	
Average	439	
MEDIAN	**388**	

# of Pet "Days" Lodged per Invoice	**2018 Actual**	
High	10.6	Franchisee Highest #Days/Inv
Low	7.1	Franchisee #DaysLodge/Lowest
Average	7.9	Franchiee #Days Boarded Average
MEDIAN	**8.3**	

Part II. The following represents the number of years current PAI franchise owners have been in business and respectively the number of franchise territories they operate as of December 31, 2018.

# Years	0-1	2	3	4	5	6	7	8	9	10+
# Franchise Owners			**1**	**1**	1					**5**
# of Territories Operated by1 Franchise Owners			2	2	2					**9**

Part III. Pro Forma. The following pro forma showing estimated annual income and operating expenses based on the median gross revenue of $157,640 in 2018.

Annual Gross Revenue:

"MEDIAN Annual Franchise Owner"		**$ 157,640**
# of Host Families		**28**
Monthly Income & Expense Data		
MEDIAN Monthly Gross Revenue	$ 13,137	
Median Pet Days Lodged	269	
Lodging Rev/Day Including Transportation	$ 42.85	
Host Family Expense/Pet Day	$ 11.09	
Avg/Day Pet Stay Per day Boarded	6.71	
# of Lodgings/Month	40	
# of Trips/Month	80	
Avg Trip/day (4 days/week)Total AM & PM	5.0	
Driver Cost/Trip includes FICA	$ 10.50	
Vehicle Cost		
Miles/Trip	10	
Miles/Gallon	20	
Fuel Cost/Gallon	$ 2.50	
Vehicle Usage:	1 Vehicle/Franchise	
Insurance/month	$ 100	
Maintenance/Month	$ 20	

Performa based on the MEDIAN Gross Revenue: **$ 13,137** Monthly

Expenses:

Cost of Goods Sold:					
Host Family Expense $11.09x40x6.71			$ 2,976		
Royalty			$ 1,032		
Advertising					
	Nat'l Advertising - 1%		$ 132		
	Software Fee		$ 50		
31.9%		**Total**	**$ 4,190**	**$**	**4,190**
NOI				**$**	**8,947**

Operating Expenes:

Pickup & Delivery:				
Variable Expenses:				
7.3%	Advertising 7.3%/mo	$		$

			959		959
			Franchise Owner "0"		
	$10.50/Trip	Driver	$		
		Vehicle	$	840	
		80 trips at $10.50/trip $840			
	7.5%	20 miles/gallon @ 10 Miles/Trip $2.50/gallon $100	$	100	$ 940
	Fixed Expenses:				
		Vehicle			
		$400/month Lease/Purchase	$	400	
		Insurance	$	100	
		License/fees	$	50	
					$
	5.1%	Maintenance	$	75	625
Office Operation					
	Variable Expenses:				
		Reservations: 4 New Customers $200 20 Existing $400	Franchise Owner		
	2.7%	Banking/Visa Charges	$	200	
	Fixed Expenses:				
		Telephone/Cell	$	100	
		Fixed			
Office Operations -		Expenses Continued			
		Accounting	$	100	
		Software			
		Maint	$	50	
		Supplies	$	75	
		Office/Operations Insurance	$	50	
		HF Advertising	$	50	
		Internet			
	1.6%	Access	$	50	$ 475.00
		Total Operating Expense	**22.8%**	**$ 2,999**	
Net Monthly Income			**45.3%**	**$ 5,948**	**$ 5,948**
Yearly Income Before Taxes					**$71,386**

Notes

1. The above expenses include only direct operating expenses. There have been no provisions made for amortization of start-up cost, depreciation of the Franchise Owner's vehicle, finance costs, or taxes. Likewise, the above figures do not include any compensation, wages, or benefits for the Franchise Owner or for any employee.

2. Supplies expenses include such items as printing cost and animal supplies.

3. The above figures are estimates only. They do not represent the actual (individual or collective) experience of the Pets Are Inn franchise owners. They were prepared by the Franchisor based upon: (1) the Franchisor's operating expenses for its Pets Are Inn business from 1987 to present, and (2) information provided by Pets Are Inn franchise owners on their monthly reports.

4. The expenses may vary dramatically depending upon the size and location of the territory and other factors. All prospective franchisees are encouraged to contact existing Pets Are Inn franchise owners and inquire about their actual experience.

5. "Gross Revenue" is the total amount of sales for the reporting period (e.g. yearly), prior to any deductions.

6. "Cost of Goods Sold" is the direct costs attributable to the production of goods or services.

Part IV. The following is a list of three actual franchise's that have been in operation since 1994 together with their gross revenue from open date through December 31, 2018. The fourth franchise is the number one in the system, it has been operating since October 1, 1987.

	Avg Revenue per Pet Day Boarded	**Actual Revenue from Opening Date:**			
		Texas	Minnesota	Pennsylvania	#1 Franchise
1994	$16.45	$11,636	$7,753		$160,116
1995	$17.25	$54,707	$52,465		$169,321
1996	$18.12	$82,926	$66,949	$18,209	$173,517
1997	$20.02	$147,577	$148,452	$41,137	$182,137
1998	$20.99	$187,188	$168,819	$76,347	$198,622
1999	$23.48	$198,686	$194,147	$102,197	$220,120
2000	$25.82	$229,454	$197,648	$107,502	$230,301
2001	$26.19	$222,497	$188,290	$105,264	$226,811
2002	$28.11	$213,551	$170,711	$104,950	$219,646

2003	$28.35	$209,277	$177,024	$121,214	$222,618
2004	$29.99	$230,218	$176,351	$129,407	$244,089
2005	$32.50	$215,760	$190,353	$146,004	$264,849
2006	$34.77	$195,487	$194,749	$144,624	$281,217
2007	$34.82	$213,964	$207,605	$130,133	$301,816
2008	$36.17	$191,227	$180,242	$120,336	$291,672
2009	$37.33	$182,108	$171,182	$103,243	$256,844
2010	$36.76	$170,858	$154,279	$99,061	$258,579
2011	$38.20	$256.433	$281,170	$111,365	$250,486
2012	$38.40	$218,232	$261,606	$ 94,187	$255,853
2013	$39.34	$151,137	$284,608	$87,524	$237,114
2014	$41.23	$140,996	$285,197	$83,664	$267,257
2015	$42.19	$156,721	$283,324	$89,367	$291,580
2016	$42.61	**$143,150**	$267,264	**$149,765**	**$311,663**
2017	$42.81	**$148,108**	$281,502	**$281,502**	**$321,771**
2018	$49.97	**$157,640**	$315,030	**$292,784**	**$315,030**
Median Revenue from Opening Date		**$187,188**	$190,353	**$105,263**	**$250,486**

Notes

1. **Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

2. **These figures are only estimates of what we think you may earn. Your individual results may differ. There is no assurance you'll earn as much.**

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

4. "Median Revenue" is the middle number in a list of highest to lowest actual revenues by year. If the list contains an even number, the median is the average of the middle 2 numbers.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting James Platt, President, at 7625 Metro Blvd., Suite 120, Edina, Minnesota 55439, telephone number (952) 944-8298, the Federal Trade Commission, and the appropriate state regulatory agencies.

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20. LIST OF OUTLETS

Table No. 1

Systemwide Outlet Summary
For years 2016 to 2018

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	2016	17	15	-2
	2017	15	15	0
	2018	15	15	0
Company-Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	2016	17	15	-2
	2017	15	15	0
	2018	15	15	0

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016 to 2018

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Texas and Totals	2016	**0**
	2017	**0**
	2018	**0**

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Table No. 3
Status Franchised Outlets
For years 2016 to 2018

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	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Minnesota	2016	6	0	0	0	0	0	6
	2017	6	0	0	0	0	0	6
	2018	6	0	0	0	0	0	6
New Jersey	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Pennsylvania	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Texas	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Washington	2016	2	0	0	0	0	2	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Totals	2016	17	0	0	0	0	2	15
	2017	15	0	0	0	0	0	15
	2018	15	0	0	0	0	0	15

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Table No. 4

Status of Company-Owned Outlets
For years 2016 to 2018

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
All States and Totals	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

Table 5

Projected Openings For One-Year Period as of April 1, 2019

STATE	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPEN (1)	PROJECTED NEW FRANCHISED BUSINESSES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
Florida	0	1	0
Texas	0	1	0
Totals	0	2	0

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A list of the names, addresses and telephone numbers of all of the Franchisor's active franchises (6 franchisees with 15 Territories) as of December 31, 2017 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. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There have been no agreements containing confidentiality clauses signed with franchisees in the last 3 fiscal years. There are no trademark-specific franchisee organizations associated with the franchise system offered in this Franchise Disclosure Document.

21. FINANCIAL STATEMENTS

Attached as Exhibit A are the Franchisor's audited financial statements dated December 31, 2016, 2017, and 2018. The Franchisor's fiscal year end is December 31.

22. CONTRACTS

Attached are the following contracts:

Exhibit E	Franchise Agreement
Exhibit F	Territory Development Agreement
Exhibit I	Secured Promissory Note with Personal Guaranty
Exhibit J	Security Agreement
Exhibit K	State Addendum (if applicable)

23. RECEIPTS

You will find copies of a detachable receipt at the very end of this Disclosure Document.

Exhibit A

FINANCIAL STATEMENTS

PETS ARE INN, INC.

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Pets Are Inn, Inc.

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Carol J. Sailer, CPA
Thomas A. Madsen, CPA
Diana L. Weddigen, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Stockholder of
Pets Are Inn, Inc.

We have audited the accompanying financial statements of Pets Are Inn, Inc. (an S corporation), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pets Are Inn, Inc., as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

March 15, 2019

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Pets Are Inn, Inc.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
Current Assets		
Cash and Cash Equivalents	$ 57,877	$ 23,900
Accounts Receivable	5,569	
Total Current Assets	63,446	23,900
Other Assets		
Lease Deposit	595	595
Goodwill	5,000	5,000
Total Other Assets	5,595	5,595
Total Assets	$ 69,041	$ 29,495
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	$ 6,473	$ 6,768
Deferred Revenue		100
Credit Card Payable	36,254	25,207
Total Current Liabilities	42,727	32,075
Stockholder's Equity		
Common Stock, $.01 par value; authorized 1,000,000 shares; 1,000 shares issued and outstanding	10	10
Additional Paid-In Capital	104,659	120,994
Retained Earnings (Deficit)	(78,355)	(123,584)
Total Stockholder's Equity (Deficit)	26,314	(2,580)
Total Liabilities and Stockholder's Equity	$ 69,041	$ 29,495

See accompanying notes to financial statements.

Pets Are Inn, Inc.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Royalties	$ 88,809	$ 78,636
Franchise Renewal Fees	4,500	
Advertising Reimbursements	12,345	11,552
Insurance Reimbursements	13,802	14,452
Consulting Services	28,611	
Software System Fees	7,000	6,600
Total Franchise Revenue	155,067	111,240
Interest Income	13	11
Total Revenue	155,080	111,251
EXPENSES		
Advertising	12,597	6,958
Bank Charges	3,724	3,089
Donations	7,940	7,139
Dues and Subscriptions	969	
Insurance	11,774	17,371
Interest	3,043	3,812
Licenses	51	
Meetings and Awards	2,750	1,010
Miscellaneous	1,516	1,623
Postage	944	473
Professional Fees	27,460	37,873
State Franchise Renewal Fees	2,189	1,850
Supplies - Franchisees	784	821
Supplies and Printing - Franchisor	4,760	3,336
Rent	22,771	18,481
Telephone	3,554	4,222
Travel and Entertainment	1,166	749
Vehicle	1,859	846
Total Expenses	109,851	109,653
Net Income	$ 45,229	$ 1,598

See accompanying notes to financial statements.

Pets Are Inn, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Balance, January 1, 2017	$ 10	$ 146,601	$ (125,182)	$ 21,429
Net Income			1,598	1,598
Capital Withdrawn		(25,607)		(25,607)
Balance, December 31, 2017	10	120,994	(123,584)	(2,580)
Net Income			45,229	45,229
Capital Withdrawn		(16,335)		(16,335)
Balance, December 31, 2018	$ 10	$ 104,659	$ (78,355)	$ 26,314

See accompanying notes to financial statements.

Pets Are Inn, Inc.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net Income	$ 45,229	$ 1,598
Adjustments to Reconcile Net Income to Net Cash From (Used In) Operating Activities:		
(Increase) Decrease in Accounts Receivable	(5,569)	1,920
Increase (Decrease) in Accounts Payable	(295)	1,498
Increase (Decrease) in Deferred Revenue	(100)	100
Increase (Decrease) in Credit Card Payable	11,047	(3,236)
Net Cash from Operating Activities	50,312	1,880
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Increase) Decrease in Note Receivable from Stockholder		11,923
Increase (Decrease) in Additional Paid-In Capital	(16,335)	(25,607)
Net Cash (Used In) Financing Activities	(16,335)	(13,684)
Net Increase (Decrease) in Cash and Cash Equivalents	33,977	(11,804)
Cash and Cash Equivalents, Beginning of Year	23,900	35,704
Cash and Cash Equivalents, End of Year	$ 57,877	$ 23,900
SUPPLEMENTAL DISCLOSURE		
Interest Paid	$ 3,043	$ 3,812

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. Nature of the Company

Pets Are Inn, Inc. (the "Company"), is a Minnesota corporation, and was incorporated July 23, 1992. There is one stockholder. The Company acts as the national franchisor for a group of independent pet boarding franchises.

The Company's first activity upon organization was to assume the rights to be the national franchisor of twenty existing Pets Are Inn independent pet boarding franchises. The Company's stockholder acquired these rights, along with certain equipment and supplies, from the former national franchisor on June 12, 1992. The Company's stockholder contributed these rights and assets in exchange for stock in the Company.

The Company offers guidance to the individual pet boarding franchises. The franchisees hire people to board pets in their personal residences. The franchisees transport the pets from customer residences to boarding residences. The franchisees are required to make monthly payments to the Company based on a percentage of pet boarding income. The Company has obtained franchise agreements in various states. These agreements are subject to approval and annual renewal by state regulatory agencies.

2. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue and Expense Recognition – Franchise revenue includes royalties, franchise sales, transfer fees, supply sales, advertising reimbursements, insurance reimbursements, consulting services, and software system fees. Revenue is recognized when earned, and expenses are recognized when incurred. Supplies held for sale to franchisees are minimal, and are expensed when purchased by the Company.

S Corporation – Income Tax Status – The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate income taxes, the stockholder of an S corporation is taxed on the company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Cash and Cash Equivalents – Cash and cash equivalents include cash in checking and savings accounts. Cash and cash equivalents includes $4,859 and $2,306 at December 31, 2018 and 2017, respectively, that was escrowed in a savings account for insurance premiums.

Accounts Receivable – Accounts receivable consist primarily of royalties, advertising reimbursements, and insurance reimbursements. Payments are due on the 5th of the month for the prior month, and/or the 20th of the month for the first half of the month. No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Goodwill – The accounting for the acquisition of Pets Are Inn, Inc., in 1992 resulted in recognizing goodwill of $5,000. The Company does not amortize goodwill but reduces the carrying amount of goodwill if management determines that its implied fair value has been impaired. Management has determined that the implied fair value of goodwill has not been impaired as of December 31, 2018.

Advertising – Advertising is expensed as incurred. A portion of advertising costs may be reimbursed by franchisees.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Such estimates include the fair value of goodwill.

3. Related-Party Transactions

The Company had a note receivable from the stockholder, which was paid in full during 2017. No formal loan agreement exists for this note. Applicable federal interest rates were applied.

3. Related-Party Transactions (Continued)

For the years ended December 31, 2018 and 2017, the Company rented office space from the stockholder on a month-to-month basis. Rent expense was $7,300 and $6,000 for the years ended December 31, 2018 and 2017, respectively.

The Company's stockholder is the sole owner of an entity that provides management and consulting services to the Company. This related entity was paid fees of $16,200 and $24,600 for the years ended December 31, 2018 and 2017, respectively.

Two franchises of the Company are owned by the spouse of the Company's stockholder. Royalty fees of $13,457 and $5,150 were collected from these two franchises for the years ended December 31, 2018 and 2017, respectively. Advertising reimbursements of $2,333 and $0 were collected from these two franchises for the years ended December 31, 2018 and 2017, respectively.

The Company performed services in 2018 for a company owned by the spouse of the Company's stockholder. Consulting services fees of $25,000 were collected for the year ended December 31, 2018.

4. Lease Commitments

The Company and a related party entered into a five-year lease agreement with a third party, dated September 3, 2015. Lease payments commenced in January 2016. As of December 31, 2018, the future minimum lease commitments under the operating lease are as follows:

Year Ended December 31,	Amount
2019	$12,578
2020	12,880
Total	$25,458

5. Subsequent Events

Subsequent events were evaluated through March 15, 2019, which is the date the financial statements were available to be issued.

PETS ARE INN, INC.

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Pets Are Inn, Inc.

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Carol J. Sailer, CPA
Thomas A. Madsen, CPA
Diana L. Weddigen, CPA

Lewis, Kisch & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

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T (651) 437-3356
F (651) 437-3808
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INDEPENDENT AUDITOR'S REPORT

To the Stockholder of
Pets Are Inn, Inc.

We have audited the accompanying financial statements of Pets Are Inn, Inc. (an S corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pets Are Inn, Inc., as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

March 26, 2018

Pets Are Inn, Inc.

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Current Assets		
Cash and Cash Equivalents	$ 23,900	$ 35,704
Accounts Receivable		1,920
Note Receivable from Stockholder		11,923
Total Current Assets	23,900	49,547
Other Assets		
Lease Deposit	595	595
Goodwill	5,000	5,000
Total Other Assets	5,595	5,595
Total Assets	$ 29,495	$ 55,142
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	$ 6,768	$ 5,270
Deferred Revenue	100	
Credit Card Payable	25,207	28,443
Total Current Liabilities	32,075	33,713
Stockholder's Equity		
Common Stock, $.01 par value, authorized 1,000,000 shares; 1,000 shares issued and outstanding	10	10
Additional Paid-In Capital	120,994	146,601
Retained Earnings (Deficit)	(123,584)	(125,182)
Total Stockholder's Equity (Deficit)	(2,580)	21,429
Total Liabilities and Stockholder's Equity	$ 29,495	$ 55,142

See accompanying notes to financial statements.

Pets Are Inn, Inc.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
Royalties	$ 78,636	$ 74,261
Franchise Sales		2,000
Transfer Fees		
Supply Sales		1,832
Advertising Reimbursements	11,552	10,351
Insurance Reimbursements	14,452	12,895
Consulting Services		25,000
Software System Fees	6,600	6,650
Total Franchise Revenue	111,240	132,989
Interest Income	11	4
Total Revenue	111,251	132,993
EXPENSES		
Advertising	6,958	9,794
Bank Charges	3,089	1,232
Donations	7,139	5,284
Insurance	17,371	18,228
Interest Expense	3,812	12,275
Licenses		162
Meetings and Awards	1,010	3,106
Miscellaneous	1,623	401
Postage	473	328
Professional Fees	37,873	34,445
State Franchise Renewal Fees	1,850	1,850
Supplies - Franchisees	821	753
Supplies and Printing - Franchisor	3,336	6,149
Rent	18,481	15,735
Telephone	4,222	3,921
Travel and Entertainment	749	
Vehicle	846	1,755
Total Expenses	109,653	115,418
Net Income	$ 1,598	$ 17,575

See accompanying notes to financial statements.

Pets Are Inn, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

YEARS ENDED DECEMBER 31, 2017 AND 2016

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Balance, January 1, 2016	$ 10	$ 152,348	$ (142,757)	$ 9,601
Net Income			17,575	17,575
Capital Withdrawn		(5,747)		(5,747)
Balance, December 31, 2016	10	146,601	(125,182)	21,429
Net Income			1,598	1,598
Capital Withdrawn		(25,607)		(25,607)
Balance, December 31, 2017	$ 10	$ 120,994	$ (123,584)	$ (2,580)

See accompanying notes to financial statements.

Pets Are Inn, Inc.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net Income	$ 1,598	$ 17,575
Adjustments to Reconcile Net Income to Net Cash From (Used In) Operating Activities:		
(Increase) Decrease in Accounts Receivable	1,920	(300)
Increase (Decrease) in Accounts Payable	1,498	2,630
Increase (Decrease) in Deferred Revenue	100	
Increase (Decrease) in Credit Card Payable	(3,236)	5,543
Net Cash from Operating Activities	1,880	25,448
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Increase) Decrease in Note Receivable from Stockholder	11,923	(5,481)
Increase (Decrease) in Additional Paid-In Capital	(25,607)	(5,747)
Net Cash (Used In) Financing Activities	(13,684)	(11,228)
Net Increase (Decrease) in Cash and Cash Equivalents	(11,804)	14,220
Cash and Cash Equivalents, Beginning of Year	35,704	21,484
Cash and Cash Equivalents, End of Year	$ 23,900	$ 35,704
SUPPLEMENTAL DISCLOSURE		
Interest Paid	$ 3,812	$ 12,275

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

1. Nature of the Company

Pets Are Inn, Inc. (the "Company"), is a Minnesota corporation, and was incorporated July 23, 1992. There is one stockholder. The Company acts as the national franchisor for a group of independent pet boarding franchises.

The Company's first activity upon organization was to assume the rights to be the national franchisor of twenty existing Pets Are Inn independent pet boarding franchises. The Company's stockholder acquired these rights, along with certain equipment and supplies, from the former national franchisor on June 12, 1992. The Company's stockholder contributed these rights and assets in exchange for stock in the Company.

The Company offers guidance to the individual pet boarding franchises. The franchisees hire people to board pets in their personal residences. The franchisees transport the pets from customer residences to boarding residences. The franchisees are required to make monthly payments to the Company based on a percentage of pet boarding income. The Company has obtained franchise agreements in various states. These agreements are subject to approval and annual renewal by state regulatory agencies.

2. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue and Expense Recognition – Franchise revenue includes royalties, franchise sales, transfer fees, supply sales, advertising reimbursements, insurance reimbursements, consulting services, and software system fees. Revenue is recognized when earned, and expenses are recognized when incurred. Supplies held for sale to franchisees are minimal, and are expensed when purchased by the Company.

S Corporation – Income Tax Status – The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate income taxes, the stockholder of an S corporation is taxed on the company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Cash and Cash Equivalents – Cash and cash equivalents include cash in checking and savings accounts. Cash and cash equivalents includes $2,306 and $1,361 at December 31, 2017 and 2016, respectively, that was escrowed in a savings account for insurance premiums.

Accounts Receivable – Accounts receivable consist primarily of royalties, advertising reimbursements, and insurance reimbursements. Payments are due on the 5th of the month for the prior month, and/or the 20th of the month for the first half of the month. No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Goodwill – The accounting for the acquisition of Pets Are Inn, Inc., in 1992 resulted in recognizing goodwill of $5,000. The Company does not amortize goodwill but reduces the carrying amount of goodwill if management determines that its implied fair value has been impaired. Management has determined that the implied fair value of goodwill has not been impaired as of December 31, 2017.

Advertising – Advertising is expensed as incurred. A portion of advertising costs may be reimbursed by franchisees.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Such estimates include the fair value of goodwill.

3. Related-Party Transactions

The Company had a note receivable from the stockholder, which was paid in full during 2017. No formal loan agreement exists for this note. Applicable federal interest rates were applied.

3. Related-Party Transactions (Continued)

The Company borrows funds for operations from the stockholder. The Company's borrowings during the years ended December 31, 2017 and 2016, were subject to the applicable interest rates that were charged to the Company's stockholder at a financial institution. The loan from stockholder balance was $0 at December 31, 2017 and 2016.

For the years ended December 31, 2017 and 2016, the Company rented office space from the stockholder on a month-to-month basis. Rent expense was $6,000 and $6,000 for the years ended December 31, 2017 and 2016, respectively.

The Company's stockholder is the sole owner of an entity that provides management and consulting services to the Company. This related entity was paid fees of $24,600 and $20,950 for the years ended December 31, 2017 and 2016, respectively.

Two franchises of the Company are owned by the spouse of the Company's stockholder. Royalty fees of $5,150 and $18,520 were collected from these two franchises for the years ended December 31, 2017 and 2016, respectively.

The Company also used advertising production services from an entity owned by the spouse of the Company's stockholder. This related entity was paid fees of $0 and $900 for the years ended December 31, 2017 and 2016, respectively.

4. Lease Commitments

The Company and a related party entered into a five-year lease agreement with a third party, dated September 3, 2015. Lease payments commenced in January 2016. As of December 31, 2017, the future minimum lease commitments under the operating lease are as follows:

Year Ended December 31,	Amount
2018	$12,277
2019	12,578
2020	12,880
Total	$37,735

5. Subsequent Events

Subsequent events were evaluated through March 26, 2018, which is the date the financial statements were available to be issued.

Exhibit B
State Administrators and
Agents for Service of Process

State	Administrator	Agent for Service of Process
California	Jan Lynn Owens Commissioner of Business Oversight 320 West 4th Street #750 Los Angeles, CA 90013-2344 (213) 576-7500 Toll Free #: 866/275-2677	California Commission of Business Oversight 320 West Fourth Street Los Angeles, CA 90013-2344
Indiana	Alex Glass Securities Commissioner State of Indiana Securities Division 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State 201 State House Indianapolis, IN 46204
Minnesota	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 (612) 296-4026	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101
Virginia	Ronald W. Thomas Director, Division of Securities and Retail Franchising State Corporation Commission 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219
Wisconsin	Patricia Struck Administrator, Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701-1768 (608) 266-8559	Wisconsin Commissioner of Securities 345 W. Washington Fourth Floor Madison, WI 53703

Exhibit C
Pets Are Inn
Franchise Owners & Locations 12/31/2018 (15)

Hawaii (1 Territory)

Babs Poei
P.O. Box 894662
Miliani, HI 96789
PAI (808) 626-9446

Minnesota (6 Territories)

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

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

Ann Platt (2 Territories)
P.O. Box 39481
Minneapolis, MN 55439
PAI (952) 837-1877

New Jersey (2 Territories)

David Stellitano (2 Territories)
P.O. Box 2092
Cinnamonson, NJ 08077
PAI (856) 829-7387 (Pets)

Pennsylvania (3 Territories)

Pennsylvania-Montgomery County
George and Pat Miller (1 Territory)
P.O. Box 147
Franconia, PA 18924
PAI (215) 412-7387(PETS)

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

Texas (3 Territories)

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

EXHIBIT D

TERMINATED FRANCHISEES
During Fiscal 2018

None.

EXHIBIT E

FRANCHISE AGREEMENT

EXHIBIT E

FRANCHISE AGREEMENT

Between

PETS ARE INN, INC.

And

_____

Territory, Location: _____

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Exhibit A – LICENSED TERRITORY
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Exhibit E – PERSONAL GUARANTY
Exhibit F – CONFIDENTIALITY AGREEMENT
Exhibit G – ELECTRONIC FUNDS TRANSFER AGREEMENT

EXHIBIT E

FRANCHISE AGREEMENT

This Franchise Agreement made as of the _____ day of, 201_____, between PETS ARE INN, INC., a Minnesota Corporation, having its principal office at 7625 Metro Blvd. Suite 120, 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 and perfected a plan or 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. It is the intention of the parties that the service to be operated by Franchise Owner under this Franchise Agreement (hereinafter the "Agreement"), together with the service now or hereafter operated by PAI and those operated or to be operated by other franchise owners under similar agreement, will form a national system of such service.

6. The success of both parties to this Agreement and of the aforesaid national 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 FRANCHISE 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" 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 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 exclusive territory as defined in Exhibit A. The Franchise Owner may operate outside of its 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 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 exclusive territory become the rights/property of and are to be assigned to the franchise owner of any newly created territory. The Franchise Owner will always be given first opportunity to service all customers within its

territory. However, in the event the Franchise Owner is not able to service a particular customer's lodging request, the franchise owner nearest that customer will have priority until the customer's lodging request is filled.

B. Size: The size of the Franchise Owner's Territory will be determined by the number of Eligible Households with an income that is 40% higher than the median income for the zip codes in your licensed Territory. The number of Eligible Households will be a minimum of 10,000. The Territory Boundary will be comprised of Zip Codes that fall within the eligible Household that will comprise the Franchise Owner's Territory. The number of Eligible Households will be based on information PAI obtains from the Census Bureau as well as from local marketing companies.

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

D. 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 using the Marks within the Territory. PAI has the right to operate a Pets Are Inn business under the Marks or grant a franchise anywhere outside the Territory, regardless of proximity to the boundaries of the Territory.

E. 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 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 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 exclusive territory as defined in Exhibit A 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 Fee of $65.000.00 Dollars. This fee is payable when the Franchise Owner signs the Franchise Agreement.

The initial Fee payable to PAI is payment in part for costs that it will incur to get the Franchise Owner into business including but not limited to, cost incurred by PAI for training, opening assistance, and for the other initial services rendered by PAI to the Franchise Owner as set forth in this Franchise Agreement. The initial franchise fee is not refundable in whole or in part under any circumstances.

The Franchise Owner may apply to PAI to enter into a Territory Development Agreement (TDA) in addition to this Agreement. Under the TDA, the Initial Franchise Fee for a second franchise is $35,000 and each subsequent franchise will be $15,000.00.

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:

- 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.

Or $100.00 per month for the first one year the franchise is in operation, whichever is greater; $200.00 per month for the second year the franchise is in operation, whichever is greater; $400.00 per month starting the third year the franchise is in operation, for the duration of the Franchise Agreement whichever is greater.

A. Payment. The monthly royalty 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. PAI reserves the right to require the Franchise Owner to pay the Continuing Fee by means of electronic fund transfer. See Exhibit G. 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. 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.

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.

G. "In Operation" for purposes of this section and Section 2(B)(3) on renewals of franchise agreements and 19(C)(6) on transfer of franchise agreements, the franchise is considered in operation from the date the franchise is first established and will not be considered as a new franchise for purposes of calculating the royalty payment.

H. 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

INITIAL ADVERTISING FEE

The Franchise Owner shall pay PAI an Advertising Fee of $7,500 Dollars, which shall be due and payable 60 days from the date of this agreement or date of opening whichever comes first. The Advertising Fee payable to Pets Are Inn, Inc. is to be held in a separate advertising account and is payment in part for costs that it will be incurred for initial grand opening and ongoing advertising fees as described in Section 8. The Advertising Fee is not refundable in whole or in part under any circumstances.

SECTION 8

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. PAI does not guarantee that the advertising portion of the marketing fees the Franchise Owner pays will be used in its territory. Payment will be as identified in Section 6(A) above with the exception that no minimum fees are required.

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. The Franchise Owner must expend at least six percent (6%) of Gross Sales for local advertising that the Franchise Owner creates and furnish PAI evidence of such expenditures. The advertising must incorporate the Marks and must be approved by PAI in advance. PAI has the right to require the Franchise Owner to advertise on local community Internet Sites and Local Yellow Pages. In the event the annual audit conducted by PAI discloses that Franchise Owner's spent less than six percent (6%) of Gross Sales on local advertising, the Franchise Owner must pay PAI the difference, which PAI will place or use in the National Advertising Fund described in Section 8.A.above.

D. Local Marketing Cooperatives. The Franchise Owner will pay to PAI 5% in Cooperative Advertising Funds as determined by PAI. Payment will be as identified in Section 6(A) above with the exception that no minimum fees are required. Such payments will reduce

the amounts required to be spent by the Franchise Owner for Local Advertising. PAI administers such fund and accounts to the Franchise Owner annually.

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 9
TELEPHONE NUMBERS AND TELEPHONE BOOK ADVERTISING

A. 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.

B. If, in PAI's sole discretion, it is determined that it is in the best interest of the Franchised Business, that the Franchise Owner and other PAI franchisees purchase a joint Yellow Pages display advertisement, the Franchise Owner must purchase a joint display ad of the size and content that PAI determines. If PAI so determines, the expenses of the display ad will count toward the Franchise Owner's mandatory advertising expenditures as described in 8.C. above.

SECTION 10
CENTRAL RESERVATIONS & SOFTWARE MAINTENANCE FEE

A. Central Reservation Fee:

PAI has the right, but not the obligation, to provide central reservation/operations for the Franchise Owner's territory whether, local, regional or national.

When PAI or TDA opens a number of franchises that, in its sole discretion, will be sufficient to support a local, regional or national central reservations/operations system, for reservations processed by PAI or TDA, PAI or TDA has the right to charge for each client booking at the rate of $50.00/booking for a new customer and $20.00/booking for an existing

customer. These fees will be collected by PAI and/or TDA as a deposit for the reservation and will be retained by PAI and/or TDA for Central Reservations Services.

For Franchise Owners that are advertising in their local territory to generate inquiries, it is at their option to have PAI or TDA provide local central reservations/operations. However, it is the option of PAI or TDA to provide central reservations/operations where the inquiries are generated by regional or national advertising. For inquires generated by regional or national advertising, PAI or TDA has the right to charge for each client booking at the rate of $50.00/booking for a new customer and $20.00/booking for an existing customer. These fees will be collected by PAI and/or TDA as a deposit for the reservation and will be retained by PAI and/or TDA for Central Reservations Services.

B. Software Maintenance Fee:

The current charge for the twice-monthly software maintenance fee is Twenty-Five Dollars ($25.00). This is due at the same time the Royalty and National Advertising fees as defined in Section 6(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. 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.

C. 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 11
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 12
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 and Computer Software, 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 13
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. Ongoing Training. The Franchise Owner and its employees are strongly encouraged to attend ongoing training that PAI may offer from time to time in the form of

regional training programs, study groups, franchisee meetings and conventions. Onsite training is available at $2,500 per visit.

E. 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. 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 14

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

C. If the Franchise Owner does not open within 120 days after the Effective Date, PAI may terminate this Franchise Agreement.

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. A Home-Office premise for the "primary place of business" is not allowed if (1) Franchise Owner is a TDA and (2) the Franchise Owner is not living in their designated territory.

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. 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 Business 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. 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."

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 15

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 public liability insurance with complete operations coverage and other insurance required by the Franchisor. The liability insurance shall have the following minimum coverage:

General Liability

$1,000,000	Each Occurrence
$100,000	Fire Damage (anyone fire)
$1,000,000	Personal & Adv Injury
$2,000,000	General Aggregate
$2,000,000	Products-Com/OP Agg

Automobile Liability

$1,000,000	Auto Liability, Hired Autos, Non-Owned Autos Combined Single Limit (Ea Accident)

Other Liability

Animals Belonging to Others
$1,000 Per Incident
$500 Per Animal

$100 Deductible

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 18 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 16
BUSINESS VEHICLE

Franchise Owner shall, at its own expense, procure a Chrysler minivan, a Plymouth Voyager, a Dodge Caravan, or other vehicle pre-approved by PAI, either standard or extended versions for use in Franchise Owner's business and PAI should not be under any obligation to procure or to provide financing. 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 be a mini van as defined above. 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 17
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 18

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 19
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 twenty percent (20%) 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 20% 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 20% of the then applicable initial franchise fee. This fee covers the legal and accounting costs, credit and investigation charges, training fees, and other costs incurred by the PAI as a result of the transfer. The transfer fee is uniform to all persons currently acquiring a Pets Are Inn franchise, is non refundable, and is not collected on behalf of nor paid to any third party.

SECTION 20
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 fails to open and commence operations of the Pets Are Inn business within 120 days of the Effective Date of this Franchise Agreement; or
   (b) the Franchise Owner transfers, or attempts to transfer, PAI's interest in this Franchiser Agreement, Territory or Franchise Owner's interest in the operating corporation, without PAI's prior written approval; or,
   (c) 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; or,
   (d) the Franchise Owner discontinues the active conduct of the Franchised Business, without prior written consent, for more than 1 week (7 consecutive days); or,

(e) 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; or,

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

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

(h) 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) any charge of violating any law relating to the franchised business; (c) or any felony; or

(i) the Franchise Owner is insolvent within the meaning of any state or federal law; or

(j) 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; or,

(k) the Franchise Owner voluntarily or otherwise abandons the franchised business; or

(l) 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; or,

(m) the Franchise Owner violates the exclusive dealing covenant found in this Franchise Agreement; or,

(n) 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 the royalties, or other payments, regardless of whether the failures were corrected after notice to Franchise Owner; or,

(o) the Franchise Owner fails to cure within the cure period, any default under any Collateral Agreement; or,

(p) 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.

(q) 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; or,

(r) 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; or,

(s) 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; or,

(t) the Franchise Owner consistently fails to submit when due sales reports or financial statements or to pay when due continuing royalty fees, advertising contributions, or other payments due to PAI.

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

(v) 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.

(w) the Franchise Owner fails to timely pay any of its obligations or liabilities due and owing to PAI, suppliers, banks, other creditors, or any federal, state or municipal government; or

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 fails to pay PAI royalties, or other monies due, within 3 days after written notice is delivered to the Franchise Owner; or

(b) 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, and the Franchise Owner does not correct this failure within 10 days after written notice is delivered to the Franchise Owner. The Franchise Owner's opportunity to cure a default under this Franchise Agreement or any Collateral 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. If PAI terminates this Franchise Agreement pursuant to the above Section 20, A, 1 or 2; the Franchise Owner will pay to PAI a termination fee equal to the average monthly royalty fee the Franchise Owner paid to PAI during the operation of the Franchised Business but not less than the monthly royalty minimums defined above in Section 6 times the number of months remaining until the expiration of the term of this Franchise Agreement.

(c) PAI reserves the right to terminate this Agreement if 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 PAI elects to terminate this Agreement, under Section 20, 2, c; PAI will provide the Franchise Owner notice of termination and return to Franchise Owner its initial franchise fee, less Five-Thousand-Dollars ($5,000) which PAI will retain to cover its costs. If this Franchise Agreement is terminated pursuant to this Section 20, c; 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. Except as set forth herein, PAI shall not be entitled to terminate this Franchise Agreement unless and until written notice describing the alleged breach has been delivered to the Franchise Owner by PAI, and after receiving written notice, the Franchise Owner fails to correct the alleged breach within the period of time specified by applicable law.

In the event that applicable law does not specify a time period to correct any alleged breach, then the Franchise Owner shall have thirty (30) days after receipt of written notice to correct the alleged breach. If the Franchise Owner fails to correct the alleged breach within the applicable period of time or within thirty (30) days 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 20, A, 1, (a) through (w) above;

5. the Franchise Owner willfully and 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 20 are inconsistent with applicable law, then the applicable law shall apply.

SECTION 21

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 volition 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 with 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 22
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 and the Promissory Note. 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.

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 23
NON-EXCLUSIVITY

Franchise Owner covenants and agrees that this franchise is not exclusive, except in the Licensed Territory, and under the conditions imposed herein, 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 24

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 competing 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. In the event of a breach of this provision, and as a non-exclusive remedy for the same, the Franchise Owner shall pay to PAI twenty-five percent (25%) of the gross income from the Franchise Owner's competing business.

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 competing business within the Franchise Owner's territory or within a 60 mile radius of the Franchise Owner's Territory or any other Pets Are Inn territory. In the event of a breach of this provision, and as a non-exclusive remedy for the same, the Franchise Owner shall pay to the PAI twenty-five percent (25%) of the gross income from the Franchise Owner's competing business.

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 pursing it. PAI further reserves the right to require Franchise Owner to obtain from each employee as a condition of his/her employment a restrictive covenant concerning later employment, executed in triplicate, in a form prescribed or approved by PAI, an executed copy of which shall promptly be forwarded to PAI. If requested in writing by PAI, Franchise Owner agrees that each such covenant will contain the restrictions set forth in Subsection B of this SECTION.

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 25
MONETARY PENALTIES FOR NON-COMPLIANCE.

A. If Franchise Owner commits any of the defaults described in this Section 25, PAI may impose monetary penalties on Franchise Owner, in addition to the other remedies set forth in this Section 25 and elsewhere in this Agreement. The imposition of a penalty in no manner limits PAI's right to exercise any other remedy available under this Agreement or in law. At PAI's discretion, the penalties imposed and paid under this Section 25 will be paid into the National Advertising Fund or to a charity of PAI's selection.

B. Failure to Report Gross Sales and to Furnish Reports, Financial Statements, or Tax Returns. Franchise Owner shall pay a penalty of One Hundred Dollars ($100) per day, beginning on the fifteenth (15th) day from the date performance is due, up through and including the day the default is cured, if Franchise Owner fails to report the Gross Sales of the business, or to furnish the reports and financial statements or tax returns, as set forth in Sections 6.A., 17.A., and 17.C. by the stated deadlines.

C. Failure to Pay Royalty Fees or National Advertising Fund contributions. Franchise Owner shall pay a penalty of One Hundred Dollars ($100) per day, beginning on the fifteenth (15th) day from the date performance is due, up through and including the day the default is cured, if Franchise Owner is in default in the payment of the royalty fee required under Section 6.A. or National Advertising Fee under Section 8.A.

D. Failure to Comply with Operating Standards. Franchise Owner shall pay a penalty of One Hundred Dollars ($100) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchise Owner fails to comply with material Operating Standards, as set forth in this Agreement or in the Operating Manual, and of which PAI has given Franchise Owner at least fifteen (15) days' notice. The imposition of this penalty does not limit PAI from any other remedies available to it under this Agreement or under applicable law.

SECTION 26
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. 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 24 (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.

F. Binding Effect. This Franchise Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest.

G. 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 27

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 28

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

INCLUSIONS IN THE $65,000 INITIAL FEE

Insurance is based upon a $675.00 annual premium for the Franchise Owner. The first year's premium for Franchise Owner is included in the Franchise Fee. Host families, as independent contractors, pay for their own coverage.

EXHIBIT C

SCHEDULE FOR OPENING

EXHIBIT D

SITE LOCATION OF FRANCHISE BUSINESS

EXHIBIT E

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 F

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 G

ELECTRONIC FUNDS TRANSFER AGREEMENT

Account Number

Routing Number

Bank Name (Please Type or Print)

Bank Address

The undersigned herby 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., 7625 Metro Blvd. Suite 206, 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 AGREEMENT 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 an Initial Territory Fee(s) 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 5 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 5 in the Area, described as follows:

3. The Initial Franchise Fee for each Location to be developed is as follows:

Franchised Business	Franchise Fee (before applying Option Fee)	Franchise Fee (after applying Option Fee)
1st	$65,000	$55,000
2nd	$45,000	$35,000
3rd and each subsequent	$20,000	$15,000

Each Option Fee is to be applied solely to one Location and may not be aggregated or cumulated. The TDA Fee will be paid to the Company as consideration for the reservation of the Territory to be developed solely for the benefit of the Developer and for the grant of rights under this Agreement with respect to each Location to be developed by the Developer. The TDA Fee is not refundable in whole or in part under any circumstances.

4. 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 revenue over $10,000

or

for each individual territory under the Territory Development Agreement when opened, the combined minimum royalties due monthly i.e. $100.00 per month for the first six (6) months the franchise is in operation, whichever is greater; $200.00 per month for the next six (6) months the franchise is in operation, whichever is greater; $400.00 per month starting the 2nd year the franchise is in operation, for the duration of the Franchise Agreement whichever is greater on its first franchise, monthly when due.

5. 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 4 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.

6. (a) Subject to subparagraph 6(b) the Company agrees that it will not grant to any other party the right to operate, or itself operate, any Locations within any reserved Territory during the period beginning with the date hereof and ending three (3) months after the last day set forth in the table in paragraph 5.

(b) Developer's rights under subparagraph (a) of this Paragraph 6 are expressly conditioned on full and timely compliance with the development schedule set forth in paragraph 5 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.

7. 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 5;

(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 8 hereof; or

(d) non-curable default by Developer as defined in Section 20 in 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.

8. 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 20% 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 20% of the then applicable initial franchise fee.

9. 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.

10. 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.

11. 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.

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.
7625 Metro Industrial Blvd.
Suite 120
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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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. Do you understand all of the information contained in the Franchise Agreement and each exhibit attached to it? Yes_____ No_____

   If no, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

   _____

   _____

   _____

3. 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? _____

4. Were you advised, prior to receiving the FDD, of the various ways you could be furnished the Franchise Disclosure Document ("FDD") (hard copy, CD, email, etc.)? Yes_____ No_____

5. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document we provided to you? Yes_____ No_____

6. On what date did you receive the Franchise Disclosure Document? _____

7. Did you sign a receipt for the FDD indicating the date you received it? Yes_____ No_____

8. Did you receive from the Franchisor the name, address and phone number of each Franchise Seller who was involved in the process of selling the franchise to you? Yes_____ No_____

9. Do you understand all of the information contained in the Franchise Disclosure Document? Yes_____ No_____

If no, what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary.)

_____

_____

10. 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_____

11. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors? Yes_____ No_____

NOTE: Questions 12 through 20 do not relate to information you may have been given directly by any existing franchisees of Franchisor.

12. 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_____

13. 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_____

14. 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_____

15. 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? Yes_____ No_____

16. 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_____

17. Has any employee or other person speaking on behalf of the Franchisor made any written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a PETS ARE INN? Yes_____ No_____

18. 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_____

19. 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_____

20. If you have answered "Yes" to any of questions twelve (12) through twenty (20), 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

SECURED PROMISSORY NOTE WITH PERSONAL GUARANTY

Executed this _____ day of _____, 20____

Amount: $_____ (up to $10,000.00)

The Undersigned, jointly and severally, for value received, promises to pay to the order of Pets Are Inn, Inc. a Minnesota corporation ("Payee") the principal sum of _____ _____ Dollars ($_____) plus interest as described below until paid. Payments will be amortized over a sixty (60) month period, and are due on the 1st day of each month, beginning on _____ with a final payment due on _____.

The interest rate shall be variable and will be adjusted on January 1 ("Change Dates") of each year during the term of this Note. The applicable interest rate will be equal to five (5) percentage points over the Prime Rate as published by the Wall Street Journal ("First Variable Rate"). In the event the Prime Rate on any Change Date increases or decreases from the previous Change Date's Prime Rate, the applicable interest rate for that succeeding twelve (12) month period will be adjusted accordingly.

All payments on account of the indebtedness represented by this note shall be applied first to accrued and unpaid interest and the remainder to principal. Any installment of principal not paid when due shall bear interest after maturity at the greater of: (i) sixteen per cent (16%) per annum, or (ii) the applicable rate set forth in the paragraph above (prime plus 5 points). In addition, in the event any payment is not paid within ten (10) calendar days of the date it is due, the undersigned shall be obligated to pay a late fee in the amount of One Hundred Dollars ($100). No extension of time or other forbearance granted to any of the undersigned shall operate to relieve the undersigned from liability hereunder, and notice of such extension or other forbearance is hereby waived.

The undersigned agrees that in the event of two consecutive defaults in the payment of installments due under this Note, this Note may be accelerated and all unpaid principal and accrued interest shall thereupon become due at the election of the legal holder hereof without notice or demand

The undersigned may prepay the Note in full or in part at any time without penalty.

Payments due hereunder shall be made to Payee at 7625 Metro Blvd, Suite 120, Edina, Minnesota 55439.

Whenever the Undersigned, shall be in default of the obligations set forth in this Note ("Obligations"), the entire unpaid amount of all obligations shall become immediately due and payable.

The Undersigned waives any and all presentment, demand, notice of dishonor, protest, and all other notices and demands in connection with the enforcement of Payee's rights hereunder. No default shall be waived by Payee except in writing. No delay on the part of Payee in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Payee of any right or remedy shall preclude other or further exercise thereof, or the exercise of any other right or remedy. No modification, discharge, termination or waiver of any of the provisions hereof shall be binding upon Payee, except as expressly set forth in a writing duly signed and delivered on behalf of Payee.

A DEFAULT OR AN EVENT OF DEFAULT RELATIVE TO THIS PROMISSORY NOTE CONSTITUTES A DEFAULT UNDER THE FRANCHISE AGREEMENT BY AND BETWEEN THE UNDERSIGNED AND PETS ARE INN, INC.

The Undersigned, agrees to pay all costs, legal expenses, attorneys' fees and paralegals' fees of every kind, paid or incurred by Payee in enforcing its rights hereunder, or in respect to any other of the Obligations, or in connection with the Security Agreement in defending against any defense, counterclaim, setoff or cross-claim based on any act of commission or omission by Payee with respect to the Obligations or Collateral, or both, promptly on demand of Payee or other person paying or incurring the same.

The loan evidenced hereby has been made and this Note has been delivered at Edina, Minnesota. The Undersigned consents to jurisdiction and venue of Hennepin County, Minnesota, or of any state or federal court of general jurisdiction in the State of Minnesota, and the Undersigned hereby irrevocably submits to the jurisdiction of such courts and waive any objection it may have to either the jurisdiction or venue of such courts.

This Note shall be governed and construed in accordance with the laws of the State of Minnesota and shall be binding upon the Undersigned and each one of them, and their respective heirs, legal representatives, successors and assigns. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or be invalid under such law, such provision shall be severable, and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Note.

IN WITNESS WHEREOF, the Undersigned has executed this Note on the date above set forth.

Borrower (Franchisee):
A(n) _____ Corporation/LLC

By: _____
Title: _____

Personal Guaranty

For value received, the undersigned absolutely and unconditionally guarantee prompt payment on this Note and agree to pay all costs, legal expenses and reasonable attorneys' fees incurred or paid by the holder of this Note in collection and enforcement of this Note or in the enforcement of this guaranty.

Date: _____

_____
, Individually

_____
, Individually

EXHIBIT J

SECURITY AGREEMENT

This Agreement is made and entered into this _____ day of _____, 200___, by and between Pets Are Inn, Inc. a Minnesota corporation ("Secured Party") and _____ ("Borrower").

RECITALS:

A. Borrower has delivered to Secured Party a Secured Promissory Note (the "Note") in the principal amount of $_____ of even date herewith.

B. The loan evidenced by the Note is a portion of the initial Franchise Fee due from Borrower in connection with a Franchise Agreement dated _____ ("Franchise Agreement") between Borrower as Franchisee and Secured Party as Franchisor.

C. Secured Party is willing to accept the Note, provided that the Borrower provides security to Secured Party to secure the Obligations (as defined in the Note) on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of Secured Party's acceptance of the Note, and the mutual promises and covenants of the parties hereinafter set forth, the parties hereto agree as follows:

1. Grant of Security Interest. As security for the prompt and complete payment and performance when due of the Note and the Obligations, whether existing or hereafter incurred, and whether created under, arising out of, or in connection with this Agreement or otherwise, Borrower hereby grants, assigns, conveys, pledges and transfers to Secured Party a security interest in all of Borrower's right, title and interest in, to and under the following (all of which being hereinafter collectively called the "Collateral"):

a. Rights under Borrower's Franchise Agreement;

b. All accounts, accounts receivable, contract rights and chattel paper relating to Borrower's business;

c. All equipment, goods, property, customer lists, and general intangibles relating to the Borrower's franchised business, whether now or hereafter existing or acquired;

d. Any and all accessions, replacements and additions to or of the foregoing; and

e. All cash or non-cash proceeds (including insurance proceeds) of the collateral listed above.

Borrower hereby agrees to execute any and all documents, including, without limitation, any assignments, pledge agreements, UCC Financing Statements or other instruments which

Secured Party deems necessary, appropriate or desirable in order to protect the security interest granted by Borrower to Secured Party hereunder.

2. Covenants of the Parties.

a. Borrower shall comply with all terms and conditions of the first priority security interests held by any other party with respect to the Collateral.

b. Borrower shall have the right to possession and control of the Collateral, and the right to sell and use such of the Collateral as constitutes Inventory the same in the ordinary course of Borrower's business, until a default (as hereinafter defined) shall have occurred, at which time Secured Party shall be entitled to possession and control of the Collateral. Borrower shall maintain accurate records of all Collateral and, upon request by Secured Party, shall furnish copies thereof to Secured Party. Secured Party may from time to time, examine the books and records of Borrower with respect to the Collateral in any sales made or other dispositions thereof and may, from time to time, examine the Collateral during Borrower's business hours.

c. Borrower shall keep the Collateral free of all liens and encumbrances except Permitted Encumbrances. Permitted Encumbrances shall be limited to those security interests filed as of the date hereof in favor of _____; Borrower shall also pay all rents due on the premises where the Collateral or any part thereof is or may be located or stored. Borrower shall keep the Collateral free of all liens and encumbrances, except with the prior written permission of Secured Party, which Secured Party may grant or deny in its sole discretion.

d. Borrower shall not sell, lease or dispose of any Collateral other than in the ordinary conduct of business, and shall collect all proceeds from the sale of Collateral.

e. Borrower shall protect the Collateral, wherever located, from all losses and insure the same against damage by fire, flood, explosions, theft and other risks of loss. Borrower will assume all risk of loss to the Collateral from casualty or other losses.

f. Borrower shall furnish Secured Party with such information regarding the Collateral as is reasonably requested by Secured Party.

3. Default. The following shall constitute a default by Borrower under this Agreement:

a. The unrecovered loss, sale or encumbrance of the Collateral or the levy of any lien taking priority over the lien of Secured Party, seizure or attachment thereof or thereon;

b. Any default under the Agreement or Note or any document executed pursuant to it, as provided therein;

c. If Borrower shall file a voluntary petition in bankruptcy or shall be adjudicated insolvent or bankrupt, or shall file any petition or answer seeking any

reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for either or both of them under any present of future federal, state or other statute, law, or regulations relating to the bankruptcy, insolvency or other relief for debtors, or if Borrower shall seek or consent to or acquiesce in the appointment of any trustee, custodian, receiver or liquidator for any or all of them or of the Collateral or shall make any general assignment for the benefit of creditors.

d. If a petition shall be filed against Borrower seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal, state or other statute, law or regulation, and shall remain undismissed for an aggregate of sixty (60) days, or if any trustee, custodian, receiver or liquidator of Borrower or all or any substantial part of the properties owned by Borrower or of the Collateral shall be appointed without Borrower's consent or acquiesce and such appointment shall remain unvacated for sixty (60) days.

4. Remedies Upon Default. In the event of the occurrence of a default of Borrower under this Agreement, Secured Party shall be entitled to the following remedies:

a. Upon written notice to Borrower, Secured Party shall be entitled to immediate acceleration of payment of all obligations due to Secured Party or its subsidiaries or affiliates.

b. Secured Party shall have all the rights of a secured party under the Uniform Commercial Code of the state in which the Collateral is situated.

c. Secured Party may require Borrower to assemble the Collateral and make the same available to Secured Party for repossession

d. Secured Party may dispose of any repossessed Collateral by public or private sale held in a commercially reasonable manner, with costs of taking, holding, preparation for sale and selling, including reasonable attorneys' fees, to be payable to Secured Party as an additional indebtedness of Borrower.

e. If Secured Party retains the Collateral, Secured Party shall not be deemed to have retained the Collateral in satisfaction of debts owed to Secured Party by Borrower, and such debts shall be offset by the fair market value of the Collateral at the time of repossession, less expenses of taking, including reasonable attorneys' fees.

5. Term and Termination. This Agreement shall take effect on the date first written above, and shall remain in full force and effect with respect to the Collateral until all sums under the Note are paid in full. This Agreement may be terminated only by written agreement signed by both Secured Party and Borrower, or upon the filing by the lender of a termination statement with the Secretary of State in the state where the Collateral is located, hereby termination this security interest in the Collateral.

6. Miscellaneous. Secured Party and Borrower hereby agree that:

a. The provisions of this Agreement shall be deemed to be severable and any invalidity of any provision shall not affect the validity the remaining provisions hereof. Any invalidity of any security interest attempted to be created hereby in any item or part of the Collateral shall not affect the validity of the security interest created in the remaining items or parts of the Collateral.

b. To the extent that any security interest granted hereby is valid as a purchase money security interest, the same shall take effect according to the terms of this Agreement as a purchase money security interest. To the extent that any obligation secured hereby cannot validly be secured as a purchase money security interest, it shall be a non-purchase money security interest.

c. Secured Party may remedy any default hereunder and may waive any default hereunder without waiving the default remedy and without waiving any other or subsequent default.

d. The Undersigned consents to jurisdiction and venue of Hennepin County, Minnesota, or of any state or federal court of general jurisdiction in the State of Minnesota, and the Undersigned hereby irrevocably submits to the jurisdiction of such courts and waive any objection it may have to either the jurisdiction or venue of such courts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative the day and year first above written.

Secured Party:
PETS ARE INN, INC.
A Minnesota corporation

By: _____
Title: _____
Date Accepted: _____

Borrower/Debtor:
Corporate/LLC Signature:
a _____ corporation/LLC

By: _____
Title: _____
Date Signed: _____

EXHIBIT K

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

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

1. ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

3. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.

4. Item 3 of the Franchise Disclosure Document on "Litigation" is amended by the addition of the following:

   Neither the Franchisor, nor any person in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

5. Item 5 of the Franchise Disclosure Document on "Initial Fees" is amended by the addition of the following:

   Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and Franchisee is open for business.

6. Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

   California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the State of Minnesota. This provision may not be enforceable under California law.

The Franchise Agreement requires that Franchisee bring litigation in the State of Minnesota. This provision may not be enforceable under California law.

7. The Company's website address is www.petsareinn.com.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

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

This addendum to the Franchise Agreement is agreed to this _____ day of _____, 20___, between PETS ARE INN, INC. (Franchisor) and_____
(Franchisee) to amend said Agreement as follows:

1. Paragraph 2 of the Franchise Agreement on Renewal and Section 20 of the Franchise Agreement on Termination by Franchisor for Cause are amended by the addition of the following language to the original language that appears therein:

> "California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control."

2. Section 5 of the Franchise Agreement on "Initial Fee" is amended by the addition of the following:

> Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and Franchisee is open for business.

3. Section 20 of the Franchise Agreement on Termination by Franchisor for Cause is amended by the addition of the following language to the original language that appears therein:

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

4. Section 24 of the Franchise Agreement on Covenant Not to Compete is amended by the addition of the following language to the original language that appears therein:

> "The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law."

5. Paragraph 25.E. of the Franchise Agreement on Governing Law of the Agreement is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement requires application of the laws of the State of Minnesota and that Franchisee bring litigation in the State of Minnesota This provision may not be enforceable under California 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.

By: _____
Title: _____

Franchisee:
_____

By: _____
Title: _____

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

This addendum to the Territory Development Agreement is agreed to this _____ day of _____, 20____, between PETS ARE INN, INC. (Franchisor) and_____
(Developer) to amend said Agreement as follows:

1. Sections 1 and 3 of the Territory Development Agreement on "Initial Territory Fee" and "Initial Franchise Fees" are amended by the addition of the following:

> Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and Developer is open for business.

Section 7 of the Territory Development Agreement on Termination by Franchisor for Cause are amended by the addition of the following language to the original language that appears therein:

> "California Business and Professions Code Sections 20000 through 20043 provide rights to the Developer concerning termination transfer or nonrenewal of a franchise. If the Territory Development Agreement contains a provision that is inconsistent with the law, the law will control."

2. Paragraph 12 of the Territory Development Agreement on Governing Law and Jurisdiction is amended by the addition of the following language to the original language that appears therein:

> "The Territory Development Agreement requires application of the laws of the State of Minnesota and that Developer bring litigation in the State of Minnesota This provision may not be enforceable under California 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.

By: _____
Title: _____

Developer:
_____

By: _____
Title: _____

EXHIBIT K

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.

By: _____
Title: _____

Franchisee:
_____

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.

By: _____
Title: _____

Developer:
_____

By: _____
Title: _____

EXHIBIT K
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."

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. Paragraph 2 of the Franchise Agreement on Renewal and Section 20 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. Paragraph 24 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. Paragraph 25.E. 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."

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.

By: _____
Title: _____

Franchisee:
_____

By: _____
Title: _____

EXHIBIT K
PETS ARE INN, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT and FRANCHISE AGREEMENT and TERRITORY DEVELOMENT AGREEMENT FOR THE COMMONWEALTH OF VIRGINIA

The Pets Are Inn, Inc. Franchise Disclosure Document, the Franchise Agreement, and the Territory Development Agreement for use in the Commonwealth of Virginia are modified in accordance with the following:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Territory Development Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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.

By: _____
Title: _____

Franchisee:
_____

By: _____
Title: _____

EXHIBIT K

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.

By: _____

Franchisee:
_____

By: _____

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.

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

____ James Platt, at 7625 Metro Blvd, Suite 120, Edina, Minnesota 55439 [telephone number (952) 944-8298

____ Other: _____, _____

I have received a Franchise Disclosure Document with an issuance date of March 15, 2019, as amended August 26, 2019, and effective in the franchise registration states on the dates set forth on the cover page. This Franchise Disclosure Document includes the following Exhibits:

A – Financial Statements 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 – Secured Promissory Note with Personal Guaranty J – Security Agreement K – State Pages for California, Indiana, Minnesota, Virginia, and Wisconsin

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

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

FDD2019.007, FA2019.002

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.

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.

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

____ James Platt, at 7625 Metro Blvd., Suite 120, Edina, Minnesota 55439 [telephone number (952) 944-8298

____ Other: _____, _____

I have received a Franchise Disclosure Document with an issuance date of March 15, 2019, as amended August 26, 2019 and effective in the franchise registration states on the dates set forth on the cover page. This Franchise Disclosure Document includes the following Exhibits:

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

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

FDD2019.007, FA2019.002

This copy should be completed and forwarded to the Franchisor, Pets Are Inn, Inc., 7625 Metro Blvd., Suite 120, Edina, Minnesota 55439 (Phone (952) 944-8298