

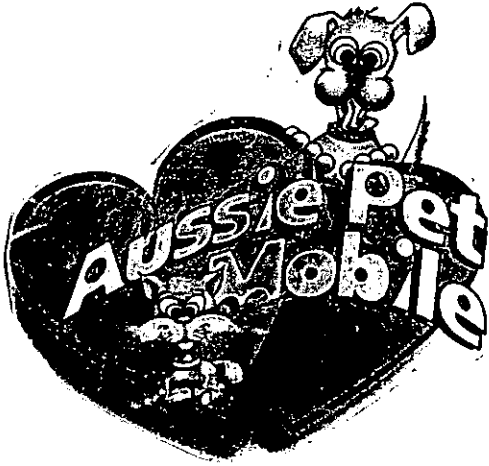
INFORMATION FOR PROSPECTIVE FRANCHISEES  
REQUIRED BY THE FEDERAL TRADE COMMISSION

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION  
Washington, D.C. 20580

DATE OF ISSUANCE: ~~MAY 18, 2005, AS AMENDED~~ September 6, 2005 \_\_\_\_\_



## FRANCHISE OFFERING CIRCULAR

AUSSIE PET MOBILE, INC.  
(A California Corporation)  
34189 Pacific Coast Highway  
Dana Point, California 92629  
(949) 234-0680  
[www.aussiepetmobile.com](http://www.aussiepetmobile.com)

We offer a Franchise to operate a specified number of Aussie Pet Mobile® Franchise Businesses within the Protected Areas specified using the "Aussie Pet Mobile®" Marks under one of four Franchise Programs providing mobile pet grooming services. Under our "Bronze Program", you will operate 1 Franchise Business, under our "Silver Program", you will operate 2 Franchise Businesses, under our "Gold Program", you will operate 3 Franchise Businesses, and under our "Platinum Program" you will operate 6 Franchise Businesses. The Franchise Fee for each program is:

- Bronze Program:** You receive 1 Franchise Business and pay a Franchise Fee of \$35,000.
- Silver Program:** You receive 2 Franchise Businesses and pay a Franchise Fee of \$60,000. (equal to \$30,000 x 2)
- Gold Program:** You receive 3 Franchise Businesses and pay a Franchise Fee of \$75,000 (equal to \$25,000 x 3).
- Platinum Program:** You receive 6 Franchise Businesses, 1 of which is free of any Franchise Fee. The Franchise Fee under this program is \$125,000 (\$25,000 x 5).

If you are a Franchisee in Good Standing purchasing 1 or more additional Franchise Businesses within the Protected Area(s) *already designated* to you by us, then you must pay our then-current charge for the Designated Equipment.

If you are a Franchisee in Good Standing purchasing 1 or more additional Franchise Businesses within Protected Area(s) *not already designated* on your Development Schedule by us, then you must pay the then-current Franchise Fee for your program and our then-current charge for the Designated Equipment.

You must also purchase the Designated Equipment Package for \$25,000 per Franchise Business, plus applicable sales tax and shipping.

Bronze Program participants must pay an initial training fee of \$1,000.00.

Silver, Gold and Platinum program participants must purchase and use the Aussie Customer Management System ("ACMS"). The cost of the system is \$1,500.

The estimated initial investment required under the Bronze Program ranges from \$83,238 to \$80,488.

The estimated initial investment required under the Silver Program ranges from \$141,988 to \$144,488.

The estimated initial investment required under the Gold Program ranges from \$188,988 to \$191,488.

The estimated initial investment required under the Platinum Program ranges from \$238,988 to \$241,488.

Under the Silver, Gold and Platinum Programs, the estimated initial investment required for an additional individual franchise within a Protected Area already designated by us ranges from \$48,238 to \$50,038.

Under the Silver, Gold and Platinum Programs, the estimated initial investment required for an additional individual franchise within a Protected Area not already designated by us ranges from \$73,238 to \$75,038.

**Risk Factors:**

THE FRANCHISE AGREEMENT CONTAINS A MANDATORY BINDING ARBITRATION CLAUSE GOVERNING NEARLY ALL DISPUTES BETWEEN YOU AND US, AND ALSO PROVIDES FOR A FACE-TO-FACE MEETING AND MEDIATION TO SETTLE DISPUTES. THE FACE-TO-FACE MEETING, MEDIATION, BINDING ARBITRATION (AND ANY LITIGATION) AND ANY ARBITRATION APPEAL WILL TAKE PLACE NEAR OUR THEN-CURRENT HEADQUARTERS, AND THAT MAY COST YOU MORE THAN IF THOSE PROCEEDINGS TOOK PLACE NEAR YOUR RESIDENCE OR BUSINESS. COSTS OF THE FACE-TO-FACE MEETING, MEDIATION, ARBITRATION AND ANY ARBITRATION APPEAL MAY BE GREATER THAN IN LITIGATION. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY. THE FRANCHISE AGREEMENT PROVIDES THAT THE LAW OF THE STATE WHERE THE LARGEST GEOGRAPHIC PORTION OF YOUR PROTECTED AREA IS LOCATED GOVERNS THE AGREEMENT. BY AGREEING TO ARBITRATE, YOU WAIVE YOUR RIGHTS TO A JURY TRIAL, AS WELL AS TO A TRIAL BEFORE A JUDGE IN A COURT OF LAW, YOU GENERALLY WAIVE YOUR RIGHT TO APPEAL AN ARBITRATION AWARD (EXCEPT TO A 3 ARBITRATOR APPEAL PANEL) AND MAY BE GIVING UP RIGHTS TO PRE-TRIAL DISCOVERY, AS WELL AS GIVING UP RIGHTS REGARDING CLASS ACTIONS. THE FRANCHISE AGREEMENT ALSO CONTAINS A LIMITATION ON THE TYPES AND AMOUNTS OF DAMAGES RECOVERABLE BY YOU OR US, REQUIRES YOU TO GIVE US NOTICE OF, AND OPPORTUNITY TO CURE, DEFAULTS BY US AND PROVIDES FOR A PERIOD OF TIME IN WHICH YOU OR WE CAN BRING CLAIMS WHICH MAY BE SHORTER THAN THAT PROVIDED BY APPLICABLE LAW.

THE POSSIBLE SUCCESS OF YOUR AUSSIE PET MOBILE® FRANCHISE MAY BE DEPENDENT ON THE LOCATION OR AREA YOU CHOOSE, THE LOCAL MARKET FOR THE PRODUCTS AND SERVICES OFFERED, COMPETITION AND OTHER FACTORS. THIS BUSINESS MAY BE SEASONAL AND YOUR RESULTS MAY DEPEND ON THE WEATHER IN YOUR TERRITORY. THESE FACTORS, ALONG WITH YOUR OWN BUSINESS ABILITY IN OPERATING YOUR AUSSIE PET MOBILE® FRANCHISE BUSINESSES AND THE EXTENT

**TO WHICH YOU FOLLOW THE AUSSIE PET MOBILE® SYSTEM, TOGETHER WITH YOUR FINANCIAL AND OTHER RESOURCES, ARE THE THINGS MOST LIKELY TO DETERMINE YOUR POSSIBLE SUCCESS. THERE ARE NO ASSURANCES THAT YOU WILL BE SUCCESSFUL AND THIS IS A SPECULATIVE INVESTMENT.**

**YOUR OBLIGATION TO PAY ROYALTIES, MARKETING CONTRIBUTIONS AND OTHER AMOUNTS AND ALL OTHER OBLIGATIONS OF YOURS WHICH SURVIVE THE TRANSFER, REPURCHASE, EXPIRATION OR TERMINATION OF THE FRANCHISE AGREEMENT, WILL CONTINUE UNTIL THEY ARE SATISFIED IN FULL OR BY THEIR NATURE EXPIRE. IF YOUR OBLIGATIONS AND/OR RIGHTS UNDER THE FRANCHISE AGREEMENT HAVE BEEN TERMINATED BY REASON OF A DEFAULT, WE WILL NOT RELEASE OR DISCHARGE YOU FROM, AND WE WILL REQUIRE YOU TO PAY, AND PERFORM, EACH OF YOUR OBLIGATIONS UNDER THE AGREEMENT, INCLUDING YOUR OBLIGATIONS TO PAY PERCENTAGE ROYALTIES, MARKETING CONTRIBUTIONS AND OTHER AMOUNTS THEN DUE.**

**WE MAY TERMINATE YOUR FRANCHISE AGREEMENT IF YOU DEFAULT ON OTHER AGREEMENTS RELATED TO THE FRANCHISE BUSINESS WITH US OR OTHERS.**

**THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Information comparing franchisors is available. Call the state administrators listed in Exhibit E or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and the appropriate state authority listed in Exhibit E.

Registration of this franchise in California does not constitute approval, recommendation, or endorsement by the Commissioner of Corporations.

Effective Date: ~~May 18, 2005, as amended September 6, 2005~~ \_\_\_\_\_

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## 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

### The Franchisor, Business Form, Names, Address

To simplify the language in this Offering Circular, "we", "us" or "our" means Aussie Pet Mobile, Inc. (the Franchisor). We were incorporated in the State of California on February 22, 1999, and have offered franchises since October, 1999. Our principal place of business is 34189 Pacific Coast Highway, Dana Point, California 92629. We have 1 predecessor and 1 subsidiary. We do not offer franchises in any other line of business. We operate 5-4 company-owned units in South Orange County, California.

"You" "your" or "Franchisee" means the person who buys the Franchise. If a corporation or partnership buys the Franchise, "you" includes your owners, as appropriate.

Our agent in this state authorized to receive service of process is in Exhibit E.

### Our Business Activities and the Franchises to be Offered in this State

We have developed methods of marketing and operating mobile businesses providing pet grooming services, as well as marketing and servicing franchises for the operation of these businesses (the "System"). These services include bathing and grooming domestic pets including dogs and cats. These services are provided from a Sprinter Van (defined in footnote 6 of Item 7 below) purchased by you and customized by us with a Designated Equipment Package also purchased by you.

This Offering Circular describes the Aussie Pet Mobile® Franchises we offer in this state.

We offer, and award, to qualified applicants, a Franchise to operate a specified number of Aussie Pet Mobile® Franchise Businesses within the Protected Areas specified using the "Aussie Pet Mobile Marks. You may select one of four Franchise Programs and sign a single Franchise Agreement covering each of the Franchise Businesses purchased by you under the Program you select. Each Franchise Business is operated in a pre-determined Protected Area made up of one or more zip codes. Under our "Bronze Program", you will operate 1 Franchise Business. Under our "Silver Program", you will operate 2 Franchise Businesses. Under our "Gold Program", you will operate 3 Franchise Businesses, and under our "Platinum Program" you will operate 6 Franchise Businesses. Please see Exhibit B for a copy of the current form of Aussie Pet Mobile® Franchise Agreement.

We may also offer and award a Franchise allowing you to operate an additional Franchise Business within a Protected Area already assigned to you, in our Business Judgment.

The Aussie Pet Mobile® System is characterized by certain trademarks, trade dress, designs for certain equipment, training and marketing concepts, the Manual, distinctive color schemes and uniforms, specialized products and confidential information.

We believe that the market for mobile pet grooming is developing. The primary market for Aussie Pet Mobile services are pet owners looking for convenient, efficient pet grooming. If we award you a Franchise, you will compete with other businesses offering services similar to those offered by an Aussie Pet Mobile Business, including veterinarians, pet stores and grooming services and other fixed locations and mobile pet groomers.

Franchisees may be subject to general business, employment and motor vehicle laws and regulations. You should consult with your attorney and local, state and federal government agencies before buying your Aussie Pet Mobile® Franchise or any business to determine all legal requirements and consider their effects on you and cost of compliance. It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time.

### **Prior Business Experience, Predecessors and Other Information**

The Aussie Pet Mobile concept was created in 1996 by our President and Chief Executive Officer, Ian Moses, to satisfy the demand for mobile pet grooming services in Sydney, Australia. Mr. Moses' aim was to offer a convenient, affordable, reliable and efficient service to pet owners to maintain their pet's best well being. The Australian franchisor and our predecessor, Pet Mobile Pty. Ltd., which was incorporated in the State of New South Wales, Australia, has been offering franchises in Australia for mobile pet care services since December, 1996. The principal address of Pet Mobile Pty. Ltd. is 20 Narrabeen Park Parade, Warriewood, New South Wales 2110, Australia. You should note that Mr. Moses has sold his interest in Pet Mobile Pty. Ltd.

We have a subsidiary Aussie Pet Mobile International, Inc. ("APM International"). APM International is a Nevada corporation incorporated on June 26, 2003. The principal business address of APM International is the same as ours. APM International offers and sells pet grooming master franchises internationally, but not in the United States. APM International has offered pet grooming master franchises internationally since 2003 and does not offer franchises in any other line of business. As of the date of this Offering Circular, APM International has 4 Master Franchisees in Mexico, Japan and Canada.

This Offering Circular sets forth the terms on which we currently offer Aussie Pet Mobile® Franchises in this state. We may have offered Aussie Pet Mobile® Franchises individually or under Area Development or multi-unit Agreements in the past (some of which still exist), or may currently offer Aussie Pet Mobile® Franchises in other states or countries, on economic and/or other terms which differ from those offered by this Offering Circular and there may be instances where we have varied, or will vary, the terms on which we offer Franchises to suit the circumstances of a particular transaction. We strongly urge you to carefully review all documents with independent advisors who can provide legal, business and/or economic guidance, such as a lawyer and/or accountant, and compare this offering to any prior Agreement and Offering Circular if renewal or replacement of an existing Franchise Agreement is involved.

We retain the right, in our Business Judgment, to award, or not award, an Aussie Pet Mobile® Franchise to you, regardless of the stage of the franchise award process, costs expended by you or otherwise.

You should understand that every detail of your Aussie Pet Mobile® Franchise will be important not only to you, but to us and to all Aussie Pet Mobile® Franchisees in order to: (a) maintain high and uniform operating standards based on the Aussie Pet Mobile® core operating values; (b) increase the demand for the products and services sold by Aussie Pet Mobile® Franchises; and (c) maintain a reputation for offering uniform and high quality products and services, ethical business practices and integrity. A fundamental requirement of your joining and remaining part of the Aussie Pet Mobile® System will be your commitment to the operation of your Aussie Pet Mobile® Franchise Businesses consistent with the then-current Aussie Pet Mobile® System Standards. During the term of the Franchise



Agreement, you must, at all times, develop and operate your Aussie Pet Mobile® Franchise Businesses in compliance with all Aussie Pet Mobile® System Standards, as we may modify in the future.

You should also understand the following business realities: An Aussie Pet Mobile® Business involves substantial risks, which are inherent and cannot be eliminated. Any volume, profit and possible success are primarily dependent on your ability and efforts as an independent business operator, as well as the degree to which you follow the Aussie Pet Mobile® System. Among other things, you will be responsible for an aggressive, proactive local marketing effort using the techniques of the Aussie Pet Mobile® System. Finally, entry into any business venture unavoidably involves some irreducible risk of loss or failure. The purchase of an Aussie Pet Mobile® Franchise (or any other) franchise is a speculative investment, and significant investment beyond that outlined in this Offering Circular may be required to succeed. There are no guarantees of success and the most important factors in the success of any Aussie Pet Mobile® Franchise Business, including yours, are your personal business, marketing, management, judgment and other skills and your willingness to work hard and diligently follow the Aussie Pet Mobile® System Standards. Additionally, this business may be seasonal and your results may depend on the weather in your Protected Areas

## **2. BUSINESS EXPERIENCE**

### **President and Chief Executive Officer and Director — Ian Moses**

Mr. Moses has been our President and Chief Executive Officer and Director since our inception in 1999. Ian Moses has integrated 30 years of international business ownership experience with a partial CPA qualification in Accounting Stage 1 and Commercial Law Stage 1 to form Aussie Pet Mobile, Inc. Raised in New Zealand, he attended Auckland University, and went on to head up several successful businesses.

Before establishing the U.S. offices for Aussie Pet Mobile, Inc., Mr. Moses was the owner of Pet Mobile Pty. Ltd., in Australia, and was responsible for the management of the Pet Mobile Franchise System from its conception in 1996 to 1999. From 1993 to 1996, Mr. Moses was the owner of Sunsafe Weathaspan Pty. Ltd., an Australian business involved in marketing sun shelter structures.

### **Executive Vice President of Franchise Sales and Director — David Louy**

David Louy joined us as Executive Vice President of Franchise Sales in March 2001 and became a Director in August 2001.

From October 1993 until March 2001, Mr. Louy served as Vice President and Franchise Director of The Closet Factory Franchise Corporation and of The Closet Factory, Inc., in Los Angeles, California.

From January 1991 to October 1993, Mr. Louy served as Regional Director and Director of Franchise Sales for O.P.E.N. of California, Inc.

Mr. Louy has a Bachelor of Science from Ohio State University.

### **Director — Daniel M. Kotynski**

Daniel Kotynski has been a Director since May 2005. From November 2002 through the present he has been a managing partner of Concentric Equity Partners in Hinsdale, Illinois. Mr. Kotynski is also

the Chairman of Liberty Fitness Holdings, LLC, a franchisor of women's 30-minute workout clubs in Carlsbad, California, where he has served on the board from June 2004 through the present. From May, 1996 through November, 2002, he managed a \$200 million portfolio of equity, mezzanine and senior debt instruments for Steelcase, Inc. of Grand Rapids, Michigan. He also served as an investor and Chief Financial Officer of the TLC Group, Inc., a nationwide third party logistics provider of turnkey distribution solutions from 1993 to 1996. His initial equity experience was with Golden Thoma Cressey Rauner, Inc. a leading private equity group in Chicago, Illinois.

Mr. Kotynski has a Bachelor of Science from DePaul University and an MBA from Northwestern University. He is also a certified public accountant.

**Chief Financial Officer — Troy D. Dunkel, CPA, MBT**

Troy became our Chief Financial Officer in June 2005. From January 2004 to June 2005, he was our Vice President of Finance. From June 1999 to January 2004, he was Vice President Finance and Administration for Pipeline Software, Inc., located in Newport Beach, California. From January 1996 to June 1999, Mr. Dunkel was Senior—Tax Consultant, M&A/Core Consulting Group for PricewaterhouseCoopers in Los Angeles, California.

Mr. Dunkel has a Bachelor of Science in Business Administration from University of California, Riverside and earned a Masters in Taxation from Golden Gate University.

**Vice President of Franchise Operations — Brad Smith**

Brad Smith became our Vice President of Franchise Operations in May 2004. From 2001 until May 2004, he served as our Director of Franchise Operations. Before joining us, Mr. Smith was an In-Flight Supervisor for Delta Airlines in Los Angeles, California from 1994 to 2001.

Mr. Smith has a degree in Business Administration from the University of TAFE in Queensland, Australia.

**Vice President of Advertising and Training — Vivienne McIntosh**

Vivienne McIntosh has been with us as our Advertising Manager since our inception in 1999. She became our Vice President of Advertising and Training in May 2004. As Vice President of Advertising and Training she organizes all corporate collateral advertising, approves franchisee advertising requests, supervises all franchisee graphics, serves as the liaison with the public relations firm, organizes the biennial franchisee convention, assists with web site design and manages the corporate owned groomshop and training center.

**Franchise Brokers**

We may use franchise brokers in certain markets to sell franchises. A complete listing of all Franchise Brokers representing us is attached as Exhibit "G".

### 3. LITIGATION

You should note that when Mr. Moses owned the Australian company, Pet Mobile Pty. Ltd., neither Mr. Moses nor the company was the subject of any litigation, whether by Franchisees or otherwise. Please see Exhibit G for disclosure of litigation involving franchise brokers.

#### **Completed Litigation**

Sunsafe Weathaspans Pty Limited, et al. (Plaintiffs), v. Moses Consulting and Marketing Pty Limited, Ian Warwick Moses, et al. (Defendants) (Federal Court of Australia, New South Wales District Registry, General Division (No. NG 689/1997, Filed August 27, 1997)

This case was brought by a purchaser of Sunsafe Weathaspans, a business formerly owned by Mr. Moses and not connected with the Franchisor. In May, 1996, the Plaintiffs bought the business from Defendants for \$600,000 (Australian) (approximately US \$308,400), financing a portion of the purchase price. The Plaintiffs never paid the financed portion and claimed that the Defendants made misrepresentations with respect to the business, including sales figures achieved by that business' licensees, and that such acts constituted misleading or deceptive conduct in violation of the Australian Trade Practices Act, and a violation of the sale agreement. Plaintiffs claimed damages of at least \$300,000 (Australian) (approximately US \$154,200). Moses Consulting and Marketing Pty Limited and Mr. Moses denied the allegations and sued Plaintiffs for \$120,000 (Australian) (approximately US \$61,680), the unpaid balance owed on the note.

Plaintiffs filed a Notice of Offer to Compromise their claim (in other words, offered to settle the case) for the sum of \$200,000 (Australian) (approximately US \$102,800), only two-third of the amount originally demanded, plus costs, which Defendants rejected. Plaintiffs amended their claim to add additional Defendants, including Plaintiffs' own former accountants and attorneys, with negative comments from the judge.

Mr. Moses engaged PricewaterhouseCoopers to prepare a report on the fair market value of the business sold. PricewaterhouseCoopers opined that the fair market value of the business on the date of sale was between \$535,000 (Australian) and \$620,000 (Australian), a range covering the actual amount for which the business was sold.

Separately Plaintiffs' own former accountants and attorneys engaged the Australian accounting firm of GCA Gower and Co. to prepare a report on the capitalized value of the business sold. GCA Gower and Co. opined that the capitalized value of the business sold was between \$617,100 (Australian) and \$1,384,200 (Australian), a range substantially in excess of the actual amount for which the business was sold. GCA Gower and Co. further concluded that, since the acquisition price of \$600,000 (Australian) agreed upon by Plaintiffs was less than the value of the business at the time of sale, no loss was suffered by Plaintiffs.

Three weeks before trial, Plaintiffs requested a Settlement Conference with all Defendants and offered to settle the case for \$600,000 (Australian) (approximately US \$308,400), which offer was completely rejected by the Defendants.

Two days before trial, Plaintiffs again approached Defendants to settle, this time for \$50,000 (Australian) (approximately US \$25,700) more than 90% less than their demand of 3 weeks earlier. As a result the case settled with a mutual waiver of all claims.

Defendants collectively made a commercial decision to settle, since settlement costs were less than 20% of trial costs.

Plaintiffs collected no amounts from their former accountants and attorneys and were, in fact, required to pay \$10,000 (Australian) (approximately US \$5,140) to their former attorneys. Moses Consulting and Marketing Pty Limited agreed to pay Plaintiffs \$50,000 (Australian) (approximately US \$25,700) far less than its anticipated costs of trial, and agreed to waive collection of the note owed to it. The net cash received by Plaintiffs from all Defendants (including Moses Consulting and Marketing Pty Limited and Mr. Moses) was \$40,000 (Australian) (approximately US \$20,560), less than 7% of their demand of only a few weeks earlier.

(All currency conversions are given as of the time of settlement.)

Aussie Pet Mobile, Inc. vs. James Anderson and Lighthouse Human Capital, LLC, (Franchise Mediation and Arbitration, Orange County, California, Filed April 18, 2003)

In July, 2002, we sent Mr. Anderson a Notice of Default and Termination of Agreements, due to his commission of several defaults of his Franchise Agreement. In exchange for a release from certain monetary obligations of his and in consideration of our agreement to make certain payments on his behalf on termination, Mr. Anderson agreed to maintain strict confidentiality about his relationship with us and our employees. Additionally, he promised not to defame us or take any actions that would injure our Marks, proprietary trade dress and trade secrets.

Mr. Anderson has since published communications in public forums attacking our (and our employees') integrity, ethics and good name.

On June 2, 2003, Mr. Anderson agreed to a stipulation for injunction and the injunction was ordered by the arbitrator. Under the injunction, Mr. Anderson is prohibited from communicating in any way regarding us, our business, our franchisees, the System or his and our relationship. The injunction was confirmed by the Superior Court of the State of California as a judgment and permanent injunction against Mr. Anderson and he remains subject to its terms.

Sadhna and Madhu Ram vs. Aussie Pet Mobile, Inc., David Louy, Matthew Stevens, et al., (County of Sacramento, Superior Court, #03AS00709, Filed February 7, 2003)

The plaintiffs, former franchisees of ours, alleged they were provided with verbal earnings claims, were not provided with a disclosure document, and that defendants made numerous oral and written misrepresentations.

The plaintiffs' complaint against us, our Executive Vice President Franchise Sales, and a franchise broker, alleged the defendants offered and sold a franchise in violation of the California Franchise Investment Law, and committed fraud and deceit and unfair business practices.

The plaintiffs requested restitution of \$200,000, damages of \$200,000, punitive damages of an unspecified amount, interest, costs of the suit, and rescission of the Franchise Agreement.

We filed a cross-complaint against the Rams for breach of the franchise agreement and for fraud and other violations of law in their abandonment of the franchised business. The plaintiffs signed a

Receipt and Statement of Prospective Franchisee acknowledging that they did receive a disclosure document and that they did receive any earnings claims.

The Rams had ordered and paid for two Equipment Packages, including Trailers, of which they did not take delivery. Those orders were canceled and, in full settlement of all claims, which were denied, the company paid the Rams \$50,000, representing a partial refund for the undelivered equipment. The action was settled November 10, 2004, with payment to the plaintiffs by us of \$50,000.

Robert Leahy vs. Aussie Pet Mobile, Inc. (San Diego Superior Court for the State of California, Case. No. GIC 842710, filed February 14, 2005)

In about September 2004, we terminated the franchise agreement of Mr. Leahy for his abandonment of the franchised business, including his failure and refusal to take delivery of his second and third units, including the Trailers that he had ordered, his refusal to permit inspection of his equipment, about which there were employee complaints that the air conditioning in the Trailer had been disconnected, and customer complaints that the Trailer was dirty and unhygienic, and other defaults of the franchise agreement.

Mr. Leahy filed an action, which alleged that we had possession of his Trailers (that he refused to take delivery of), and refused to deliver them to him, though he admitted in the Complaint that he did not demand delivery of them. He alleged that this conduct constituted unlawful possession of his personal property, conversion, a violation of the Unfair Competition Law (Business & Professions Code §§ 17200 et seq.), and a violation of the antitrust laws of the State of California (the Cartwright Act Business and Professions Code §§ 16720 and 16727, claiming that it was unlawful for us to require our franchisees to purchase a grooming trailer from us.

Mr. Leahy had ordered and paid for two Equipment Packages, including Trailers, of which he did not take delivery. Those orders were canceled and, in full settlement of all claims, which were denied, the company agreed to pay Mr. Leahy \$5,000 upon execution of a settlement agreement and \$2,500 per month for 24 months, representing a partial refund for the undelivered equipment. The action was settled on May 31, 2005.

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

On August 19, 2005, Aussie Pet Mobile, Inc. ("we") and Mr. Moses received from the Division of Securities, Office of the Attorney General of Maryland (the "Division") an Order to Show Cause (dated August 2, 2005) claiming that we and/or Mr. Moses violated portions of the Maryland Franchise Law. These allegations relate to a single franchise transaction and apparently were based upon a complaint by a former Franchisee whose franchise was terminated. The three counts in the Order to Show Cause included allegations that, with respect to this single Franchisee, (1) we and/or Mr. Moses offered and sold one franchise without providing the prospective Franchisee with a copy of the offering prospectus required under the Maryland Franchise Law, (2) we and/or Mr. Moses made material misrepresentations of facts and/or omissions of material facts in the form of unsubstantiated net income projections and representations about a database projecting fees for dog grooming services, without disclosing the source for those projections, and (3) a broker gave information regarding the potential net income the franchisee could expect and we and/or Mr. Moses provided information about the average price he could charge for services, but did not prepare or deliver an earnings claim, as

required by UFOC Guidelines. In a Consent Order dated January 25, 2006 by the Division, Mr. Moses was dismissed from the proceeding. The Statement of Facts in the Consent Order recites our delivery of an offering circular to a prospective franchisee on July 9, 2002 and our failure to re-disclose that prospect with a subsequent amended UFOC dated July 25 2002, before the prospect executed Franchise Agreements in August 2002. The Division concluded that: (i) we violated Maryland Franchise Law by: (1) offering and selling a franchise to a Maryland resident without giving the prospective franchisee a copy of the form of UFOC required under the Maryland Franchise Law; and (2) making unsubstantiated income projections about our franchise offering. While the Consent Order contained no monetary sanctions, it has required us to permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law and includes our representation that since August 2002 all prospects in Maryland have received a UFOC in the form required under Maryland Law.

### **Pending Litigation**

Christopher Kline vs. Aussie Pet Mobile, Inc. (Franchise Mediation and Arbitration, Orange County, California, Filed February 13, 2004)

Christopher Kline, a former franchisee, filed a demand for arbitration against us alleging that, in the offer and sale of an Aussie Pet Mobile® franchise to him, APMI or its representative made unlawful earnings claims. Mr. Kline executed a Statement of Prospective Franchisee and a franchise agreement in which, in many places, he expressly warranted to us that nobody had made any such claims to him. We would not have allowed him to become an Aussie Pet Mobile® franchisee if we had believed that any such claims were made to him. After only two months of operation in Houston, Texas, Kline took a corporate position with a company in Mississippi and abandoned his franchised business.

The legal claims of the demand include breach of contract and the covenant of good faith and fair dealing, unjust enrichment, intentional misrepresentation, negligent misrepresentation, promissory estoppel, violation of the California Franchise Investment Law and violation of the Texas Deceptive Trade Practices Act. Mr. Kline's demand seeks damages in excess of \$135,000. APMI and Mr. Kline entered into a Settlement Agreement and Mutual General Release on August 22, 2005. In addition to the releases granted by each party, Mr. Kline affirms in the Agreement that, upon investigation, previous claims by him relating to alleged intentional misrepresentations and false representations by APMI lack merit and are withdrawn from arbitration. The Agreement also provides for i) the payment of \$19,500 to Mr. Kline, ii) installment payments to Regions Bank, a creditor of Mr. Kline's, totaling \$48,000 and representing a refund on undelivered equipment, and iii) payment by APMI of certain costs related to the mediation process. Mr. Kline's franchise agreements are effectively terminated by the agreement, and he must de-identify equipment retained by him and otherwise comply fully with specific post-termination provisions of the franchise agreement, including return of APMI intellectual property.

The Settlement Agreement is expressly contingent upon the delivery to APMI of an executed release by Regions Bank. If the release is not received and the arbitration proceeds, we will defend vigorously and expect to file a counter-demand for the damages and unpaid royalties caused by Kline's failure to perform his agreement and abandonment of the franchised business, alleging fraud, breach of contract, violation of the implied covenant of good faith and fair dealing, unfair competition, misappropriation of trade secrets and other causes of action.

Aussie Pet Mobile, Inc. vs. Paul and Janet Devoy (Franchise Arbitration and Mediation Services, Orange County, CA, Case No. 06A0201, Filed February 17, 2006)

Respondents are franchisees of ours. In February 2006, Respondents stopped payment on their check for monthly amounts due and through their attorney, notified us they were rescinding the Franchise Agreement (the "Agreement") and demanded payment of restitution and damages. We have filed a demand for arbitration for breach of contract based on Respondents nonpayment of amounts due and refusal to perform their obligations under the Agreement. We are seeking damages according to proof, and an order: (i) requiring Respondents to make restitution; (ii) forbidding the Respondent from commencing litigation against us in violation of the Dispute Avoidance and Resolution provisions of the Agreement; (iii) declaring us released from all claims against us based on a previous release granted by the Respondents when they were given a discount on the exchange of equipment; and (iv) attorneys' fees and costs.

The Respondents have filed a counterclaim alleging we made material misrepresentations and/or omissions that fraudulently induced Respondents to sign the Agreement and that we have breached the Agreement and denying each of our claims. Respondents are seeking damages in excess of \$300,000, attorneys' fees and costs, rescission of the Agreement and dismissal of our demand for arbitration. Arbitration has not yet been scheduled.

Aussie Pet Mobile, Inc. vs. Mohammed Hasan Mahmood and Neopoint, Inc. (Franchise Arbitration and Mediation Services, Orange County, CA, Case No. 06A0202, Filed February 17, 2006)

Respondents are former franchisees of ours. We terminated the Respondents' Franchise Agreement (the "Agreement") due to their default on several material provisions of the Agreement, including: (i) failure to take delivery of the Designated Equipment or develop, Development Units Nos. 2 and 3 according to the development schedule; and (ii) abandonment of the Aussie Pet Mobile Franchise Business by failing to operate the business since March 2005. We are seeking damages according to proof, and an order: (i) declaring Respondents in breach of the Agreement and relieving us of our duties under the Agreement; (ii) compelling the Respondents to cease interference with our contractual and other economic relationships; (iii) requiring Respondents to make restitution; (iv) requiring Respondents to pay all amounts due, including unpaid royalties and payments, future lost royalties, damages, and attorney's fees; (v) forbidding the Respondent from commencing litigation against us in violation of the Dispute Avoidance and Resolution provisions of the Agreement; and (vi) declaring us released from all claims against us based on a release granted by the Respondents when the Agreement was transferred to a business entity. Arbitration has not yet been scheduled.

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

~~On August 19, 2005, Aussie Pet Mobile, Inc. ("we") and Mr. Moses received from the Division of Securities, Office of the Attorney General of Maryland (the "Division") an Order to Show Cause (dated August 2, 2005) claiming that we and/or Mr. Moses violated portions of the Maryland Franchise Law, which allegations we and Mr. Moses intend to contest. These allegations relate to a single franchise transaction and apparently are based upon a complaint by a former Franchisee whose franchise has been terminated. The three counts in the Order to Show Cause include allegations that, with respect to this single Franchisee, (1) we and/or Mr. Moses offered and sold one franchise without providing the prospective Franchisee with a copy of the offering prospectus required under the Maryland Franchise Law, (2) we and/or Mr. Moses made material misrepresentations of facts and/or omissions of material facts in the form of unsubstantiated net income projections and representations about a database projecting fees for dog grooming services, without disclosing the source for those projections, and (3) a broker gave information regarding the potential net income the franchisee could expect and we and/or Mr. Moses provided information about the average price he could charge for services, but did not prepare or deliver an earnings claim, as required by UFOC Guidelines. The Order to Show Cause requires Aussie~~

~~Pet Mobile, Inc. and Mr. Moses to show cause as to why a final order should not be entered against them directing them to permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law. Aussie Pet Mobile, Inc. and Mr. Moses deny that any misrepresentations were made by them and intend to request a hearing and to defend the matter vigorously.~~

You should note that the following action does not directly involve Aussie Pet Mobile, Inc. The action involves one of our Directors and his relationship with another company.

Stevens, et al. v. Concentric Equity Partners, Daniel Kotynski, et al. (San Diego County Superior Court, Case. No. GIC 845861, filed April 14, 2005)

Mr. Stevens, a former executive with Liberty Fitness Holdings, LLC, makes various accusations concerning the circumstances of his departure from the company as well as his employment by, and investment in, the company. Among other things, Mr. Stevens' complains of breach of contract, common law fraud and deceit, breach of fiduciary duty, breach of the implied covenant of good faith and fair dealing, and intentional interference with his contract. He seeks unspecified damages of over \$1.0 million against Mr. Kotynski and other defendants. The case is currently in the pretrial stage.

Neither we nor any person listed in Item 2 of the UFOC 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., or suspending or expelling such persons from membership in such association or exchange.

Other than these 7-9 actions, no litigation is required to be disclosed in this Offering Circular.

#### 4. **BANKRUPTCY**

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

#### 5. **INITIAL FRANCHISE FEE**

The programs we currently offer are:

**Bronze Program:** You receive 1 Franchise Business and pay a Franchise Fee of \$35,000.

**Silver Program:** You receive 2 Franchise Businesses and pay a Franchise Fee of \$60,000. (equal to \$30,000 x 2), **representing a discount of \$10,000.**

**Gold Program:** You receive 3 Franchise Businesses and pay a Franchise Fee of \$75,000 (equal to \$25,000 x 3), **representing a discount of \$30,000.**

**Platinum Program:** You receive 6 Franchise Businesses, 1 of which is free of any Franchise Fee. The Franchise Fee under this program is \$125,000 (\$25,000 x 5), **representing a discount of \$85,000.**

The Franchise Fee is uniform as to all Franchises currently being offered in this state, is entirely non-refundable, and is fully earned by us on signing the Franchise Agreement. You must pay the Franchise Fee when you sign the Franchise Agreement. The initial Franchise Fee becomes part of our general funds and there is no limit on its use.



You must also purchase a Designated Equipment Package for each Franchise Business under your Agreement. A Designated Equipment Package includes the equipment described in the Fourth Schedule to the Franchise Agreement for each Franchise Business you purchase. We will install the Designated Equipment Package in the Sprinter Van you purchase from our authorized supplier to create a Customized Vehicle. The Designated Equipment Package Fee is due before attending training, is fully earned by us on signing the Franchise Agreement and is entirely non-refundable. The Designated Equipment Package Fee becomes part of our general funds and there is no limit on its use.

Under the **Bronze Program**, you must pay a Designated Equipment Package Fee to cover the cost of the Aussie Pet Mobile® Designated Equipment Package for **your** Franchise Businesses, before attending training.

Under the **Silver Program**, you must pay a Designated Equipment Package Fee to cover the cost of the Aussie Pet Mobile® Designated Equipment Packages for **both** Franchise Businesses, before attending training.

Under the **Gold and Platinum Programs** you must pay a Designated Equipment Package Fee to cover the cost of the Aussie Pet Mobile® Designated Equipment Packages for Franchise Businesses 1, 2 and 3 on your Development Schedule before attending training.

If you have purchased the **Platinum Program**, you must pay a Designated Equipment Package Fee for the cost of the Aussie Pet Mobile® Designated Equipment Package for the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Franchise Businesses as follows:

**4<sup>th</sup> Franchise Business** - at least 60 days before the date set on your Development Schedule for delivery and opening of the 4<sup>th</sup> Franchise Business.

**5<sup>th</sup> Franchise Business** - at least 60 days before the date set on your Development Schedule for delivery and opening of the 5<sup>th</sup> Franchise Business.

**6<sup>th</sup> Franchise Business** - at least 60 days before the date set on your Development Schedule for delivery and opening of the 6<sup>th</sup> Franchise Business.

Each Designated Equipment Package Fee for Franchise Businesses 4, 5 and 6, is fully earned by us on payment and is entirely non-refundable.

The fees for the Designated Equipment Package become part of our general funds and there is no limit on their use.

The Designated Equipment Package is \$25,000 per Franchise Business, plus applicable sales tax and shipping, however we reserve the right to offer a used and/or refurbished Designated Equipment Package (if available) at a reduced cost.

Under a Franchise Agreement the amount of the Franchise Fees plus Designated Equipment Package Fees will range from \$25,000 to \$200,000.

If you are a Franchisee in Good Standing, we may allow you to purchase 1 or more additional Franchise Business within or outside of your current Protected Area(s) at our then-current Franchise Fee and our then-current charge for the Designated Equipment Package. If the additional Franchise Businesses are within your Protected Area(s) there is no Franchise Fee but you must pay the then-current charge for the Designated Equipment Package.

You must purchase one Sprinter Van according to our specifications and only from our authorized supplier(s) for each Franchise Business awarded under your Agreement. If you are a participant under the **Silver, Gold or Platinum Program**, you may deliver any of the Sprinter Vans to us for installation of the Designated Equipment Package at any time, but no later than the delivery schedule described in Section 5.5 of the Franchise Agreement. No matter when you elect to deliver any Sprinter Van to us for customization, you must place each Customized Vehicle into operation within 15 Business Days from taking delivery of the Customized Vehicle from us.

**Silver, Gold and Platinum** program participants must purchase and use the Aussie Customer Management System ("ACMS"). The cost of the system is \$1,500 and is payable on signing the franchise agreement. Please see Item 11 for more information.

Under the **Bronze Program**, you must pay us an initial training fee of \$1,000.00 before attending training.

6. **OTHER FEES**

NAME OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Royalty	The greater of (a) 8% of monthly Gross Volume <sup>(2)</sup> or (b) a minimum royalty of \$547566.	3rd business day of each month for the preceding month.	<p>Minimum royalty subject to inflation adjustment.</p> <p>Percentage and minimum royalties are due for the earlier of the first month in which each of your Aussie Pet Mobile® Franchise Businesses (a) begins operations or (b) is required to begin operations.</p> <p>Once you've reached over \$15,000 in Gross Volume in a month, we will reduce your monthly royalty fee to 5% with no minimum royalty requirement for any month during which you reach this level. If your Gross Volume falls to \$15,000.00 or below during any subsequent month, you will no longer be eligible for the reduction and your royalty fees will return to the standard rates.</p>

NAME OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Marketing Fund Contributions	The greater of (a) 4% of monthly Gross Volume <sup>(2)</sup> or (b) a minimum contribution of \$274-283 for each of your Aussie Pet Mobile <sup>®</sup> Franchise Businesses.	3rd business day of each month for the preceding month.	<p>Minimum contribution subject to inflation adjustment.</p> <p>Percentage and minimum marketing fund contributions are due for the earlier of the first month in which each of your Aussie Pet Mobile<sup>®</sup> Franchise Businesses (a) begins operations or (b) is required to begin operations.</p> <p>Once you've reached over \$15,000.00 in Gross Volume in a month, we will reduce your monthly Marketing Fund Contribution to 3% of Gross Volume with no minimum requirement for any month during which you reach this level. If your Gross Volume level falls to \$15,000.00 or below during any subsequent month, you will no longer be eligible for the reduction and your Marketing Fund Contributions will return to the standard rates.</p>
Interest on Late Payments	Interest is highest legal rate for open business credit not to exceed 1.5% per month.	Payable on demand.	<p>Interest on all amounts owed us.</p> <p>Subject to inflation adjustment.</p>

NAME OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Successor Franchise Fee	An amount equal to 1/3 of the franchise fee paid by you under the original franchise agreement. If you acquired your Franchise by transfer, you will pay the amount of the successor franchise fee specified in the Agreement you assumed.	At the time we award the successor franchise.	Fee to obtain a new franchise at the end of an existing term. Subject to inflation adjustment.
Franchise Marketing Groups ("FMG")	Determined by FMG.	Determined by FMG.	You must join and participate in FMG. Amount subject to change by FMG. Amount of fee is unknown since no Franchise Marketing Groups have been established.
Transfer Fee	10% of consideration you receive for transfer (with a cap of \$15,000 per protected area subject to inflation adjustment).	On notification of proposed transfer.	Fee to transfer the franchised business. If we do not approve the transfer, we will return the fee less our expenses for review and consideration of the transfer.
Commission or Compensation to Sales Consultants (transfer of Franchise)	Amount Varies.	Before completion of transfer	If you utilize the services of any of our sales consultants (including outside agencies and brokers) to completing the transfer you must reimburse us an amount equal to any commission or other sales compensation we must pay to these persons.
Management Fees <sup>(3)</sup> (only on default by you)	\$250 per day plus expenses. We estimate expenses will range from \$75 to \$150 per day.	Deducted from funds of your Businesses	Expenses include compensation, other costs, travel and living expenses of appointed manager. Subject to inflation adjustment.

NAME OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Expenses Associated with Regular Upgrading of Your Aussie Pet Mobile Businesses	\$250 per year/Per Franchise Business	As Incurred	You must maintain and upgrade your Aussie Pet Mobile Businesses to comply with current requirements. Upgrades may include new equipment, products, services, signage, methods of operation and computer hardware and software.  <u>These figures are estimates only and we cannot guarantee that you will not have additional expenses.</u>
Training Fee	\$1,000 for the Bronze Franchise Program and \$1,000 per employee for all of the Programs.	Before training	You are responsible for all travel, living, incidental and other expenses and compensation of you and your personnel attending any training program.  This fee is subject to change.
Toll-Free Number/ URL System Fee	To be determined.	As Agreed	You pay an appropriate share of all expenses associated with your participation in the system, including the cost of inquiries relayed to you. We may support the system with monies from the Marketing Fund.
Encroachment Fee	\$100	Payable on Demand	Payable if you provide grooming or related services to clients located within another Aussie Pet Mobile franchisee's Protected Area.  You must also reimburse the franchisee an amount equal to the charge for the goods and services sold.

(1) All fees are imposed, collected by and payable to us. All fees are non-refundable. You must participate in our electronic funds transfer program which authorizes us to utilize a pre-authorized bank draft system.

(2) Gross Volume includes all charges and/or revenues which are, received or earned by you (and/or any Affiliate) (1) by, at or in connection with your Aussie Pet Mobile® Franchise Business, (2) which relate to the type of goods or services available now or in the future, through an Aussie Pet Mobile® Franchise Business, and/or distributed in association with the Marks or the Aussie Pet Mobile® Franchise

Business, (3) which relate to the operation of any Similar Business, and/or any co-branding activities. All sales and/or billings, whether collected or not, will be included in Gross Volume, with no deduction for credit card or other charges. Gross Volume does not include customer refunds.

(3) If we deliver a notice of default to you which you fail to timely cure, in addition to our other rights and remedies, we have the right to appoint a manager to operate each of your Franchise Businesses in default until you have cured all defaults. We will keep all funds from the operation of the Franchise Businesses during the period of management by us in a separate fund. All expenses of the Franchise Businesses, including compensation, other costs and travel and living expenses of our appointed manager, may be paid out of the fund.

(4) The Franchise Agreement contains a mandatory arbitration clause governing nearly all disputes between you and us, and also provides for a face-to-face meeting and mediation to settle disputes. The face-to-face meeting, mediation, binding arbitration (and any litigation) and any arbitration appeal will take place near our then-current headquarters, and that may cost you more than if those proceedings took place near your residence or business. Costs of the face-to-face meeting, mediation, arbitration and any arbitration appeal may be greater than in litigation. You and we will generally bear each of our own costs in any dispute, but the arbitrator can assess costs (but not attorney's fees) against a losing party.

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7. **INITIAL INVESTMENT**

Certain estimated costs for opening and first 3 months of operation.

**Bronze Program**

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYABLE
Franchise Fee <sup>(1)</sup>	\$35,000	Lump Sum	On Signing Franchise Agreement	Us
Designated Equipment <sup>(2)</sup>	\$25,000	Lump Sum	Before Training	Us
Sales Tax on Designated Equipment	\$1,938	Lump Sum	On Delivery of Customized Vehicle	Us
Shipping <sup>(3)</sup>	\$1,750 - \$2,100	Lump Sum	On Delivery of Customized Vehicle	Us
Opening Inventory	\$1,000	As Arranged	As Arranged	Suppliers and vendors
Computer Hardware and Software	\$0 - \$1,450	As Arranged	As Arranged	Suppliers and Vendors
Business licenses, or other pre-paid expenses	\$350	As Required	As Required	Local Agency
Grand Opening Advertising <sup>(4)</sup>	\$2,000	As Arranged	As Arranged	Us or Authorized Suppliers
Insurance <sup>(5)</sup>	\$750	As Arranged	As Incurred	Insurance Company
Training <sup>(6)</sup>	\$3,200 - \$3,500	As Arranged	As Incurred	Transportation Lines, Hotel Facilities
Sprinter Van <sup>(7)</sup>	\$2,550 - <del>\$2,850</del> - \$2,400	As Arranged	As Incurred	Authorized Suppliers
Sprinter Van Tax & License	\$3,000 - \$4,000	As Arranged	As Incurred	Authorized Suppliers
Yellow Pages Advertising <sup>(8)</sup>	\$3,000	As Arranged	As Incurred	Authorized Suppliers
Additional Funds - 3 months <sup>(9)</sup>	\$4,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>TOTAL<sup>(10)</sup></b>	<b>\$83,238-538 - \$86, 938488</b>			



**Silver Program**

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYABLE
Franchise Fee <sup>(1)</sup>	\$60,000	Lump Sum	On Signing Franchise Agreement	Us
Designated Equipment <sup>(2)</sup>	\$50,000	Lump Sum	Before Training	Us
Sales Tax on Designated Equipment	\$1,938	Lump Sum	On Delivery of Customized Vehicle	Us
Shipping <sup>(3)</sup>	\$1,750 - \$2,100	Lump Sum	On Delivery of Customized Vehicle	Us
Opening Inventory	\$1,000	As Arranged	As Arranged	Suppliers and vendors
Computer Hardware and Software	\$1,450	As Arranged	As Arranged	Suppliers and Vendors
Aussie Customer Management System	\$1,500	Lump Sum	On Signing Franchise Agreement	Us
Business licenses, or other pre-paid expenses	\$350	As Required	As Required	Local Agency
Grand Opening Advertising <sup>(4)</sup>	\$4,000	As Arranged	As Arranged	Us or Authorized Suppliers
Insurance <sup>(5)</sup>	\$750	As Arranged	As Incurred	Insurance Company
Training <sup>(6)</sup>	\$3,000 - \$4,000	As Arranged	As Incurred	Transportation Lines, Hotel Facilities
Sprinter Van <sup>(7)</sup>	\$2,550 - <del>\$2,850</del> \$2,250 - \$2,400	As Arranged	As Incurred	Authorized Suppliers
Sprinter Van Tax and License	\$3,000 - \$4,000	As Arranged	As Incurred	Authorized Suppliers
Yellow Pages Advertising <sup>(8)</sup>	\$3,000	As Arranged	As Incurred	Authorized Suppliers
Additional Funds - 3 months <sup>(9)</sup>	\$8,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>TOTAL<sup>(10)</sup></b>	<b>\$141,988</b> <b>\$142,288</b> <b>- \$144,488</b> <b>\$938</b>			

**Gold Program**

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYABLE
Franchise Fee <sup>(1)</sup>	\$75,000	Lump Sum	On Signing Franchise Agreement	Us
Designated Equipment <sup>(2)</sup>	\$75,000	Lump Sum	Before Training	Us
Sales Tax on Designated Equipment	\$1,938	Lump Sum	On Delivery of Customized Vehicle	Us
Shipping <sup>(3)</sup>	\$1,750 - \$2,100	Lump Sum	On Delivery of Customized Vehicle	Us
Opening Inventory	\$1,000	As Arranged	As Arranged	Suppliers and vendors
Computer Hardware and Software	\$1,450	As Arranged	As Arranged	Us, Suppliers and Vendors
Aussie Customer Management System	\$1,500	Lump Sum	On Signing Franchise Agreement	Us
Business licenses, or other pre-paid expenses	\$350	As Required	As Required	Local Agency
Grand Opening Advertising <sup>(4)</sup>	\$6,000	As Arranged	As Arranged	Us or Authorized Suppliers
Insurance <sup>(5)</sup>	\$750	As Arranged	As Incurred	Insurance Company
Training <sup>(6)</sup>	\$3,000 - \$4,000	As Arranged	As Incurred	Transportation Lines, Hotel Facilities
Sprinter Van <sup>(6)</sup>	\$2,550 - <del>\$2,850</del> \$2,250 - \$2,400	As Arranged	As Incurred	Authorized Suppliers
Sprinter Van Tax & License	\$3,000 - \$4,000	As Arranged	As Incurred	Authorized Suppliers
Yellow Pages Advertising <sup>(8)</sup>	\$3,000	As Arranged	As Incurred	Authorized Suppliers
Additional Funds - 3 months <sup>(9)</sup>	\$13,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>TOTAL<sup>(10)</sup></b>	<del>\$188,988</del> <b>\$189,288 -</b> <b>\$191,488</b> <b>\$193</b>			

**Platinum Program**

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYABLE
Franchise Fee <sup>(1)</sup>	\$125,000	Lump Sum	On Signing Franchise Agreement	Us
Designated Equipment <sup>(2)</sup>	\$75,000	Lump Sum	Before Training	Us
Sales Tax on Designated Equipment	\$1,938	Lump Sum	On Delivery of Customized Vehicle	Us
Shipping <sup>(3)</sup>	\$1,750 - \$2,100	Lump Sum	On Delivery of Customized Vehicle	Us
Opening Inventory	\$1,000	As Arranged	As Arranged	Suppliers and vendors
Computer Hardware and Software	\$1,450	As Arranged	As Arranged	Us, Suppliers and Vendors
Aussie Customer Management System	\$1,500	Lump Sum	On Signing Franchise Agreement	Us
Business licenses, or other pre-paid expenses	\$350	As Required	As Required	Local Agency
Grand Opening Advertising <sup>(4)</sup>	\$12,000	As Arranged	As Arranged	Us or Authorized Suppliers
Insurance <sup>(5)</sup>	\$750	As Arranged	As Incurred	Insurance Company
Training <sup>(6)</sup>	\$3,000 - \$4,000	As Arranged	As Incurred	Transportation Lines, Hotel Facilities
Sprinter Van <sup>(7)</sup>	\$2,550 - <del>\$2,850</del> \$2,250 - \$2,400	As Arranged	As Incurred	Authorized Suppliers
Sprinter Van Tax & License	\$3,000 - \$4,000	As Arranged	As Incurred	Authorized Suppliers
Yellow Pages Advertising <sup>(8)</sup>	\$3,000	As Arranged	As Incurred	Authorized Suppliers
Additional Funds - 3 months <sup>(9)</sup>	\$13,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>TOTAL<sup>(10)</sup></b>	<b>\$238,988</b> <b>\$239,288</b> <b>- \$241,488</b> <b>\$938</b>			

**Additional Franchise Business**

For participants in the **Silver, Gold and Platinum Programs** to purchase additional Franchise Businesses within a Protected Area (or portion of a Protected Area) already designated by us.

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYABLE
Franchise Fee <sup>(1)</sup>	\$-0-	Lump Sum	On Signing Franchise Agreement	Us
Designated Equipment <sup>(2)</sup>	\$25,000	Lump Sum	Before Training	Us
Sales Tax on Designated Equipment	\$1,938	Lump Sum	On Delivery of Customized Vehicle	Us
Shipping <sup>(3)</sup>	\$1,750 - \$2,100	Lump Sum	On Delivery of Customized Vehicle	Us
Opening Inventory	\$1,000	As Arranged	As Arranged	Suppliers and vendors
Business licenses, or other pre-paid expenses	\$350	As Required	As Required	Local Agency
Grand Opening Advertising <sup>(4)</sup>	\$2,000	As Arranged	As Arranged	Us or Authorized Suppliers
Insurance <sup>(5)</sup>	\$750	As Arranged	As Incurred	Insurance Company
Training <sup>(6)</sup>	\$3,200 - \$3,500	As Arranged	As Incurred	Transportation Lines, Hotel Facilities
Sprinter Van <sup>(7)</sup>	<del>\$2,850</del> \$2,550 - \$2,400	As Arranged	As Incurred	Authorized Suppliers
Sprinter Van Tax & License	\$3,000 - \$4,000	As Arranged	As Incurred	Authorized Suppliers
Yellow Pages Advertising <sup>(8)</sup>	\$3,000	\$3,000	As Arranged	Authorized Suppliers
Additional Funds - 3 months <sup>(9)</sup>	\$3,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>TOTAL<sup>(10)</sup></b>	<del>\$48,238</del> <b>\$50,038</b>			

**Additional Franchise Business**

For participants in the **Silver, Gold and Platinum Programs** to purchase additional Franchise Businesses in Protected Areas (or portion of a Protected Area) not already designated by us.

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYABLE
Franchise Fee <sup>(1)</sup>	\$25,000	Lump Sum	On Signing Franchise Agreement	Us
Designated Equipment <sup>(2)</sup>	\$25,000	Lump Sum	Before Training	Us
Sales Tax on Designated Equipment	\$1,938	Lump Sum	On Delivery of Customized Vehicle	Us
Shipping <sup>(3)</sup>	\$1,750 - \$2,100	Lump Sum	On Delivery of Customized Vehicle	Us
Opening Inventory	\$1,000	As Arranged	As Arranged	Suppliers and vendors
Business licenses, or other pre-paid expenses	\$350	As Required	As Required	Local Agency
Grand Opening Advertising <sup>(4)</sup>	\$2,000	As Arranged	As Arranged	Us or Authorized Suppliers
Insurance <sup>(5)</sup>	\$750	As Arranged	As Incurred	Insurance Company
Training <sup>(6)</sup>	\$3,200 - \$3,500	As Arranged	As Incurred	Us, Transportation Lines, Hotel Facilities
Sprinter Van <sup>(7)</sup>	<del>\$2,550 - \$2,850</del> \$2,250 - \$2,400	As Arranged	As Incurred	Authorized Suppliers
Sprinter Van Tax & License	\$3,000 - \$4,000	As Arranged	As Incurred	Authorized Suppliers
Yellow Pages Advertising <sup>(8)</sup>	\$3,000	As Arranged	As Incurred	Authorized Suppliers
Additional Funds - 3 months <sup>(9)</sup>	\$4,000	As Incurred	As Incurred	Employees, Vendors, Utilities
<b>TOTAL<sup>(10)</sup></b>	<b>\$73,238-538 - \$75,038-488</b>			

(1) This fee is nonrefundable. You must pay the Franchise Fee when you sign the Franchise Agreement. Franchisees awarded one additional Franchise Business within a Protected Area **already designated** on the Protected Area and/or Development Schedule **do not** pay an initial franchise fee.

(2) You must also purchase a Designated Equipment Package for each Franchise Business under your Agreement. The Designated Equipment Package, described in the Fourth Schedule of the

Franchise Agreement, includes the Hydrobath and bathing system, parts and labor for installation in your Sprinter Van. Under the **Bronze Program**, you must pay a non-refundable Designated Equipment Package Fee to cover the cost of the Aussie Pet Mobile® Designated Equipment for **your** Franchise Business before attending training. Under the **Silver Program**, you must pay a non-refundable Designated Equipment Package Fee to cover the cost of the Aussie Pet Mobile® Designated Equipment for **both** Franchise Businesses before attending training. Under the **Gold and Platinum Programs**, you must pay a non-refundable Designated Equipment Package Fee to cover the cost of the Aussie Pet Mobile® Designated Equipment Packages for Franchise Businesses 1, 2 and 3 on your Development Schedule before attending training. If you are purchasing an Additional Franchise Business, you must pay the Designated Equipment Package Fee before attending training.

If you have purchased the **Platinum Program**, you must pay a Designated Equipment Package Fee for the cost of the Aussie Pet Mobile® Designated Equipment Package for the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Franchise Businesses as follows:

**4<sup>th</sup> Franchise Business** – at least 60 days before the date set on your Development Schedule for delivery and opening of the 4<sup>th</sup> Franchise Business.

**5<sup>th</sup> Franchise Business** - at least 60 days before the date set on your Development Schedule for delivery and opening of the 5<sup>th</sup> Franchise Business.

**6<sup>th</sup> Franchise Business** - at least 60 days before the date set on your Development Schedule for delivery and opening of the 6<sup>th</sup> Franchise Business.

Each Designated Equipment Package Fee for Franchise Businesses 4, 5 and 6, is fully earned by us on payment and is entirely non-refundable.

The Designated Equipment Package is \$25,000 per package, plus applicable sales tax and shipping, however we reserve the right to offer a used and/or refurbished Standard Designated Equipment Package (if available) at a reduced cost.

If you are a participant under the **Silver, Gold or Platinum Program**, you may deliver any of the Sprinter Vans to us for installation of the Designated Equipment Package at any time, but no later than the delivery schedule described in Section 5.5 of the Franchise Agreement. No matter when you elect to deliver any Sprinter Van to us for customization, you must place each Customized Vehicle into operation within 15 Business Days from taking delivery of the Customized Vehicle from us.

If you are purchasing a single Franchise Business, you must place the Customized Vehicle into operation within **15 Business Days** from taking delivery.

(3) Shipping is \$1,750 per Customized Vehicle for delivery west of the Mississippi and \$2,100 per Customized Vehicle for delivery east of the Mississippi. The estimated amounts for Designated Equipment under the **Silver, Gold and Platinum Programs** include shipping for 1 Customized Vehicle.

(4) Under the **Silver Program** you must spend at least \$4,000 on a grand opening marketing program during the first 3 months of operation of your first Franchise Business. Under the **Gold and Platinum Programs**, you must spend at least \$6,000 on a grand opening marketing program during the first 3 months of operation of your first Franchise Business. If you are opening a single Franchise Business you must spend \$2,000 during the first 3 months of operation of your Franchise Business.

(5) You must maintain in force policies of insurance issued by carriers approved by us covering various risks for each Franchise Business. We may specify the types and amounts of coverage required under these policies and require different and/or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must: (1) name us and the Franchisor-Related Persons/Entities as additional named insureds, (2) contain a waiver of all subrogation rights against us, our Affiliates (if any), the Franchisor-Related Persons/Entities and any successors and assigns, and (3) provide for 30 days' prior written notice to us of any material modifications, cancellation, or expiration of the policies. The figure above is an estimate of insurance costs for the first 3 months of operation of your Unit Franchise Businesses. The annual cost of insurance is approximately \$3,000 per Franchise Business, payable monthly. The cost of insurance coverage can vary from state to state and from city to city. Premiums are affected by experience rate, location, nature of business, business organization and many other factors.

Our insurance requirements are:

Umbrella Policy	\$1,000,000
General liability insurance	\$1,000,000 (including animal bailees coverage) each occurrence and \$2,000,000 aggregate limit
Auto insurance	\$1,000,000 (including uninsured motorist/minimum \$1,000,000) \$42,000 (physical damage to van) Deductible no more than \$1,000
Business Interruption Insurance	Must provide continued payment of amounts due (or to become due) us and/or any Affiliate under the Franchise Agreement.
Worker's Compensation (if applicable)	\$1,000,000

(6) You are responsible for arranging transportation and paying the expenses for compensation, meals and lodging for you and your employees, attending the training program. The amount you expend will depend on several factors, including the distance you must travel and the type of accommodations you choose. For the **Bronze Program**, we based the estimate on 10 days of accommodations, meals, car rental and airfare. For the **Bronze Program** this sum includes the \$1,000.00 Training Fee also referenced in Items 5, 6 and 11. For **Silver, Gold and Platinum Program** participants, we based the estimate upon attendance by you and 1 employee traveling up to 3,000 miles. Your employees attend training for approximately 80 hours and you attend training for 3 days.

If you are purchasing an additional Franchise Business, we based the estimate upon attendance of 1 employee traveling up to 3,000 miles and attending training for approximately 80 hours.

(7) You must obtain a white Mercedes Sprinter Cargo Van including the following features: 2500 Cargo Van, 140-inch wheelbase (HIGH ROOF), powered by a Mercedes-Benz 2.7L Turbo Diesel Engine, five-speed transmission, headliner heating and air conditioning system, compressor mounting kit, 150 amp alternator, high idle sensor, parabolic side mirrors, cargo partition with window, windows all around, Mercedes upgrade logo package, 12 volt ceiling vent, insulated and finished ceiling, paneled and insulated walls and finished floor. ("Sprinter Van") Vehicle purchase agreement prices will vary from dealer to dealer, and the terms of your loan, including the interest rate and term, may vary depending on your credit worthiness, changes in credit markets and other factors which are not under our control. We

can't give you any guarantees or make any representations as to the terms, conditions or otherwise of any financing for your Sprinter Van(s). However a typical monthly payment for a Sprinter Van with financing, may range from approximately \$750-850 to \$800-950 per month, assuming a 72-month loan contract and excludes tax and license. Typically, a dealer requires a down payment at the time of purchase. The estimated amount assumes purchase of the Sprinter Van with financing, is based on monthly loan payments of \$750-850 to \$800-950 per month and does not include any estimated down payment, which may be negotiable. We will install the Designated Equipment on each of your Sprinter Vans. You must deliver your Sprinter Van(s) to us according to the schedule in Section 5.5 of the Franchise Agreement. **The dealer may subcontract with us for the installation of the headliner heating and air conditioning system, 12 volt ceiling vent, insulated and finished ceiling, paneled and insulated walls and finished floor and reimburse us for the costs of such work.**

(8) We recommend that you purchase Yellow Pages advertising for your Franchise Businesses. Depending on the timing of the opening of your Franchise Business and publishing of the Yellow Pages Directory, you may not incur this expense during the first 3 months of operation.

(9) Additional Funds is an estimate of the funds needed to cover business (not personal) expenses during the first 3 months of operation of the Franchise Businesses. You will need capital to support on-going costs of your businesses, such as vehicle maintenance, supplies, payroll, utilities, taxes, loan payments and other expenses, to the extent that revenues do not cover business costs. New businesses (franchised or not) often have larger expenses than revenues. As with most businesses, your costs will depend on factors such as how much you follow our recommended systems, your technical, marketing and general business skills, local economic conditions, the local market for your business, competition, local cost factors, location and the sales levels achieved by you. This is only an estimate, and we cannot guarantee that the amounts specified will be adequate. You may need substantial additional funds during the 3 months of initial operation or afterwards. The 3 month period from beginning business covers the time by which most Franchisees are fully in operation but does not mean that you will have reached "break-even" or any other financial position by that time. In addition, the estimates presented relate only to costs associated with the Franchise Businesses and do not cover any personal, "living" or other expenses you may have. We've based this estimate of Additional Funds on our experiences of over 9 years in the industry.

(10) Miscellaneous costs to begin operations and other financial requirements may be more or less than the figures specified above, as a function of the size of business (staff, anticipated volume of business, etc.) which you intend to operate, the area in which you intend to operate and other factors, as mentioned above. Many of these factors are primarily under your control in your independent operation of your Franchise Businesses. We have made no provision for capital or other reserve funds necessary for you to reach "break-even" or any other financial position nor do any of these estimates include any finance charges, interest or debt service obligations. You should not assume that revenues from your customers will necessarily cover your initial (or other) expenses. You should review these figures carefully with a business advisor (such as an accountant) before making any decision to purchase the franchise. We relied on our experiences of over 9 years in the industry in preparing the figures in this chart.

For **Silver, Gold and Platinum Program** participants, we have based the figures on you following your Development Schedule. If you choose to place more than 1 Sprinter Van into operation in the first 3 months, your estimated initial investment will be higher.



Since costs can vary with each Franchisee (particularly if you are purchasing an existing Aussie Pet Mobile® Franchise), we strongly recommend that you (1) obtain, before you buy a franchise or make any commitments, independent estimates from third-party vendors and your accountant of the costs which would apply to your proposed establishment and continued operation of an Aussie Pet Mobile® Franchise Business, (2) discuss with current Aussie Pet Mobile® Franchisees their economic experiences (including initial costs) in opening and operating a Aussie Pet Mobile® Franchise Business and (3) carefully evaluate the adequacy of your total financial reserves.

Although we make no estimates or representations regarding financial performance of Aussie Pet Mobile® Franchise Businesses, we recommend that, in addition to the additional funds shown, you have sufficient personal savings and/or income so that you will not need to draw funds from your Aussie Pet Mobile® Franchise Businesses for at least 12 months after start-up.

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

You must purchase, use and offer the types, brands and/or quality of Designated Equipment, Products and Services that we designate for your Aussie Pet Mobile Franchise Businesses. We may require you to use only suppliers we designate for your Aussie Pet Mobile® Franchise Businesses. These suppliers may include us and/or companies affiliated with us. We and/or any of these affiliated companies may be exclusive suppliers of Designated Equipment, Products and Services.

We may designate a supplier based on our requirements relating to frequency of delivery, price, standards of service, including prompt attention to complaints, as well as payments, contributions or other benefit to us, our Affiliates (if any) and/or any marketing fund. Designation of suppliers may be temporary. We can make any choices we feel appropriate.

We may, withhold, condition and/or revoke our approval of particular items or suppliers in our reasonable discretion. You must notify us in writing if you propose to purchase, use or offer any type, brand and/or quality of items that we have not previously specified, or use any supplier who we have not previously designated for a particular item. You must submit to us the information and samples we request. We have no contractual obligation to notify you within a specific period of time whether or not you're authorized to purchase or use the proposed item or to deal with the proposed supplier. However, we plan to notify you within 30 days. We won't unreasonably withhold our consent for you to use an alternative supplier or base our decision on any economic benefit that we may gain from your use of designated suppliers.

Currently, we are the sole approved source for certain portions of the Designated Equipment, including the Designated Equipment Package. During the fiscal year ended 12/31/05, we received \$2,368,750 or 35% of our total revenues from the purchase of these items. During the fiscal year ended 12/31/05 we received \$128,520 or 2% of our total revenues from certain Sprinter Van dealers as reimbursement to us of the subcontracted installation of the headliner heating and air conditioning system, 12 volt ceiling vent, insulated and finished ceiling, paneled and insulated walls and finished floors in some of the Sprinter Vans acquired by franchisees. The only benefit or other revenue we currently receive is from your required purchases of certain portions of the designated equipment. ~~During the fiscal year ended 12/31/04, we received \$2,309,500 or 47% of our total revenues from the purchase of these items.~~

Pridemark Insurance Agency and the John M. Glover Agency are authorized suppliers of insurance coverage for your Franchise Business. You may obtain competitive bids, but you must give

Pridemark, the John M. Glover Agency or other designated agency authorized by us the opportunity to meet the bids. We will not derive revenue or any other material consideration from your purchase of insurance from Pridemark, the John M. Glover Agency or other designated agency authorized by us.

You must obtain your Sprinter Van(s) from an authorized supplier and will only use an approved service center for repairs and maintenance of the Customized Vehicle, Hydrobath and all other Designated Equipment.

Although we received no rebates or benefits during the fiscal year ended 12/31/0405, we may receive rebates and other benefits from suppliers for items purchased by franchisees. **We anticipate receiving rebates or other payments from suppliers based on the volume of purchases by franchisees in 2006. We may, although we have no obligation to, remit these rebates and/or payments to the Marketing Fund.**

We don't condition providing benefits (such as the award of a successor or additional franchise) on the use of designated or approved sources. However, failure to use approved items might, like other matters, be a default under the Multi-Unit Franchise Agreement. In general, any Area Developer and/or Franchisee in default would not be awarded a successor or additional franchise and might even be subject to termination.

We estimate that assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7, the proportion of your purchases and leases of goods and services from approved suppliers or specified products are approximately 7% to 8% of your purchases and leases in establishing your Aussie Pet Mobile® Franchise Businesses and approximately 50% of your ongoing costs of operation.

**Negotiation of Purchase Arrangements**

In order to maximize cost savings, we may negotiate purchase arrangements with approved vendors/suppliers for the benefit of our Area Developer and/or Franchisees.

**Purchasing or Distribution Cooperatives**

There are no formal or mandatory purchasing or distribution cooperatives in the Aussie Pet Mobile® System.

**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 OFFERING CIRCULAR.

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	None	
b. Pre-opening purchases/leases	5.3 - 5.5	5, 7, 8
c. Site development and other pre-opening requirements	6.9, 9.2	7
d. Initial and ongoing training	6.4, 6.5, 9.2, 9.6, 12.3	6, 11

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
e. Opening	6.9	7, 11
f. Fees	4.3, 5.1 - 5.4, 5.6, 5.8, 5.9, 6.4, 6.8, 8.1, 8.4, 9.2, 9.6, 9.9, 12.1, 19.2 (12) (13), 20.1 (8)	5, 6, 7
g. Compliance with standards and policies/Operations Manual	3, 6, 7, 10, 12.5 – 12.7	8, 11
h. Trademarks and proprietary information	13, 17.1, 17.3 – 17.6	13
i. Restrictions on products/services offered	6.2	8, 16
j. Warranty and customer service requirements	7	None
k. Territorial development and sales quotas	12.2, 21.2 Second Schedule	12
l. On-going product/service purchases	6.2	8
m. Maintenance, appearance and remodeling requirements	21.1 (2), 6.1 – 6.2, 12.6 –	6, 17
n. Insurance	6.6 5 of Trainer Services Addendum	7, 8
o. Advertising	6.9, 8.1 – 8.4	6, 11
p. Indemnification	15 6 of Trainer Services Addendum	None
q. Owner's participation/ management/staffing	6.4	15
r. Records/Reports	14.1, 14.4	11
s. Inspections/Audits	14.2 – 14.3	None
t. Transfer	19.2 – 19.3, 21.5 4 of Trainer Services Addendum	6, 17
u. Renewal	20	6, 17
v. Post-Termination obligations	17.1, 22.1 – 22.5, 22.7 3 of Trainer Addendum	17
w. Non-Competition covenants	18.1, 19.2 (15), 22.4 7 of Trainer Services Addendum	17
x. Dispute resolution <sup>(1)</sup>	23 8 of Trainer Services Addendum	17
y. Other (describe)	None	None

(1) The Franchise Agreement contains a mandatory arbitration clause governing nearly all disputes between you and us, as well as other clauses covering dispute resolution and which may affect your rights. You should read Articles 23, 24 and 25 of the Franchise Agreement and you may want to consult an attorney regarding the effect of these provisions. You and we agree that the Federal Arbitration Act governs the Franchise Agreement.

## 10. **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

## 11. **FRANCHISOR'S OBLIGATIONS**

Except as listed below, we need not provide any assistance to you.

### **Our Pre-Opening Obligations to You**

A. Under the **Silver, Gold and Platinum Programs**, we will provide you with 3 days of initial training. We will provide training for each of your employees for a fee of \$1,000 per employee. (Multi-Unit Franchise Agreement, Sections 6.4, 9.2)

B. Under the **Bronze Program** we will provide you with initial training for a fee of \$1,000 for yourself and for each additional attendee. (Franchise Agreement, Sections 6.4 and 9.2)

C. We will furnish advice and guidance to regarding your grand opening advertising. (Franchise Agreement, Section 6.9)

### **Our Obligations During the Operation of Your Aussie Pet Mobile® Businesses**

A. We will provide you a copy of the Manuals. (Franchise Agreement, Section 9.1) We give you a reasonable opportunity to view (but not to copy or make notes from) the Manuals before you sign the Franchise Agreement. Before you view the Manuals, you must execute a Confidentiality Agreement. The Confidentiality Agreement and Acknowledgment of Opportunity to View Manuals is Exhibit D of this Offering Circular.

B. We will provide you with advice and information we consider reasonably appropriate to assist you with: all procedures associated with the Aussie Pet Mobile® System; marketing and advertising; management and administration; use of the Image or any changes to it; and the use and application of the Products and Services. (Franchise Agreement, Section 9.4)

C. We will provide you with ongoing training (at your cost) on your written request or if we believe ongoing training is necessary. (Franchise Agreement, Section 9.6)

D. We will convene meetings of Franchisees as we consider appropriate. (Franchise Agreement, Section 9.7)

E. We will give our best efforts to ensure that authorized suppliers maintain a reasonable supply of Product and Designated Equipment for you to purchase. Equipment and other items provided by us will be competitively priced. (Franchise Agreement, Section 9.8)

F. We will operate a toll-free number and/or website directing inquiries from prospective retail customers to qualified Aussie Pet Mobile® Franchisees. (Franchise Agreement, Section 9.9)

G. If you provide staff to act as a Level 2 Trainer (as defined in the Manual), we'll provide you with guidelines, curricula, operating standards, training, servicing and operating schedules, and compensate you at a rate of \$1,000 per day Level 2 Trainer per 80 hours of training for "hands-on" training for new Aussie Pet Mobile® Franchisees. (Regional Trainer Addendum to the Franchise Agreement, Section 2.2a and 2.b, Franchise Agreement, Section 6.4.)

## **GENERAL**

### **Computer Hardware and Software**

You must purchase, use, maintain and update software, computer and other systems meeting our specifications as we may modify them. Currently, you may purchase all software and hardware from the vendor of your choice but we reserve the right to require you to deal only with vendors approved by us, which may be limited to us and/or our Affiliates. You must maintain your systems on-line to provide full access for computer systems used by us and you must update and otherwise change your computer hardware and software systems as we reasonably request, at your expense. You must pay all amounts charged by any supplier or licensor of the systems and programs used by you (which may include us and/or any Affiliates), including charges for use, maintenance, support and/or updates. There are no contractual limitations on the frequency and cost of upgrades and/or updates to the systems or programs.

We've implemented an electronic reporting system. You must participate in our electronic reporting system, with direct interconnection to (and full, on-line access by) our computer hardware and software systems. We own the current and future list of your clients/customers and employees, including addresses and telephone numbers and may access your customer database at anytime.

We may require you to obtain specified computer hardware and/or software, including, without limitation, a license to use proprietary software developed by us or others. You must pay all costs in connection with obtaining, maintaining, upgrading, etc. the computer hardware and software comprising the computer and other systems (and additions, modifications, maintenance or support). Within 60 days after you receive notice from us, you must obtain, install and use the components of the computer and other systems that we designate. We have the right to charge a reasonable fee for the license, modification, maintenance or support of proprietary software that we may license to you and other goods and services that we or any Affiliates (if any) furnish to you related to the computer and other systems.

Presently, we require each Aussie Pet Mobile® Franchisee to have a PC or laptop with the following minimum standards:

- Windows 2000
- 733 MHz processor
- Modem speed of 56K
- 128 MB Memory
- QuickBooks or Quicken
- Internet Access
- CD-ROM Drive
- Microsoft Word, Outlook and Excel software
- Printer