



HOMEWATCH INTERNATIONAL, INC.
FRANCHISE OFFERING CIRCULAR

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**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

FRANCHISOR:

HOMEWATCH INTERNATIONAL, INC.

**(a Colorado corporation)
2865 South Colorado Boulevard
Denver, Colorado 80222**

**Telephone: (303) 758-5111
E-Mail: franchise@homewatch-intl.com
www.homewatch-intl.com (franchise)
www.homewatchcaregivers.com (services)**

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 be laws on franchising in your state. Ask your state agencies about them.

**FEDERAL TRADE COMMISSION
WASHINGTON, DC 20580**

THE DATE OF ISSUANCE OF THIS OFFERING CIRCULAR IS:

_____, 2006

FRANCHISE OFFERING CIRCULAR



HOMEWATCH INTERNATIONAL, INC.
(a Colorado corporation)
2865 South Colorado Boulevard
Denver, Colorado 80222
(303) 758-5111

Homewatch International, Inc., a Colorado corporation, is offering franchises for the operation of a business which offers companionship, personal care services, and minor medical services provided by home health aides, personal care providers, certified nurse assistants, licensed practical nurses and registered nurses to the aging, disabled, recovering, rehabilitating, and the convalescing in their own homes within our community.

The initial franchise fee is \$28,500 for a minimum of 30,000 persons 65 years of age or older living in your designated territory. Territories may be determined by political boundaries, such as cities or counties, by a combination of zip codes meeting our standards, or other criteria. The estimated initial investment required ranges from \$49,150 to \$76,150, inclusive of the initial franchise fee, for a territory containing 30,000 persons age 65 or older.

A second territory may be awarded to you if you meet our financial and experience requirements to qualify for a second territory. The second territory must be contiguous with the initial territory. A second territory may be operated from the initial licensed location and must be purchased simultaneously with the initial territory. The Franchise Fee for the second territory is \$20,000 for a minimum of 30,000 persons 65 years of age and older living in the second territory. The estimated initial investment for two territories, each containing 30,000 people, ranges from 69,150 to 96,150, inclusive of the initial franchise fee.

If you desire, and we agree to grant to you, a territory or second territory containing more than 35,000 or less than 30,000 persons age 65 or older, the initial franchise fee for the territory or second territory will be increased by \$500 per 1,000 persons age 65 and older living in the territory in excess of 35,000, or reduced by \$500 per 1,000 persons age 65 or older living in the territory less than 30,000; in either case, rounded to the nearest 1,000 persons.

Risk Factors:

- 1. THE FRANCHISE AGREEMENT PERMITS YOU TO ARBITRATE WITH US ONLY IN COLORADO. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN COLORADO THAN IN YOUR HOME STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT COLORADO 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.**
- 3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

NOTE: THE AGREEMENT PROVISIONS REFERRED TO IN THE RISK FACTORS MAY BE VOID UNDER SOME STATE FRANCHISE LAWS. SEE EXHIBIT J.

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information. Registration of this franchise by a 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 state authority listed in Exhibit A.

The states listed in Exhibit A may require registration or filing of this franchise offering. Some of these states may require different or additional disclosures (see Exhibit J) or revisions to the agreements (see the Riders to the applicable agreement(s)).

The Date of Issuance of this Offering Circular in non-registration states is: _____, 2006.

The Effective Dates of this Offering Circular for the following states are:

California:

Illinois:

Indiana:

Maryland:

New York:

Virginia:

Washington:

Wisconsin:

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Exhibit A	List of State Agencies/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Nondisclosure and Noncompetition Agreement
Exhibit D	List of Franchisees
Exhibit E	Franchisees That Have Left the System
Exhibit F	Financial Statements
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Exhibit H	Operations Manuals Tables of Contents
Exhibit I	Disclosure Acknowledgement Statement
Exhibit J	Addendum to Offering Circular for Certain States

ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor.

The Franchisor is Homewatch International, Inc. For ease of reference, Homewatch International, Inc. will be referred to as “we,” “us,” “our,” or “HII” in this Offering Circular. We will refer to the person or entity buying the franchise as “you” or “your” throughout this Offering Circular, unless otherwise noted. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners and will be noted.

HII is a Colorado corporation that was incorporated on December 28, 1992. We currently conduct business under the name “HOMEWATCH CAREGIVERS” and our corporate name. Our principal business address is 2865 South Colorado Boulevard, Denver, Colorado 80222. Our agents for service of process are disclosed in Exhibit A.

Our predecessor, Homewatch Corporation (“HC”), was incorporated in Colorado on December 15, 1976. On December 31, 1992, HII acquired certain assets of HC including its rights as a franchisor. HC was merged into HII on July 12, 1997 and HC ceased to exist after that date. As of December 31, 2005, HII operated three HOMEWATCH CAREGIVERS Businesses, and officers and directors of HII owned five HII franchises (as further discussed below). We have no “affiliates,” as that term is defined for this Item 1.

The Franchises.

We offer franchises for the establishment and operation of a business (“**HOMEWATCH CAREGIVERS Business**” or “**Business**”) offering companionship, personal care, and minor medical services to private pay and insured clients living at home. Services are provided by home health aides, personal care providers, certified nurse assistants, licensed practical nurses and registered nurses to the aging, disabled, recovering, rehabilitating, and convalescing (“**HOMEWATCH CAREGIVERS Services**”) in the client’s own home. You will be required to abide by all rules and regulations that apply to a HOMEWATCH CAREGIVERS Business in your home state. The Businesses use our service mark “HOMEWATCH CAREGIVERS” and related service marks and trademarks (“**Marks**”), as well as our proprietary business methods (“**Licensed Methods**”). A listing of the types of services offered is set forth in Exhibit III to the Franchise Agreement. The Franchise Agreement is attached to this Offering Circular as Exhibit B.

Market for the Franchise Services and Competition.

The target market for the HOMEWATCH CAREGIVERS Services you will offer will be the general public, particularly clients who utilize outside services to take care of various personal care needs and clients needing, or requiring living assistance services to continue to live at home (“**Clients**”). Your Clients will be aged, disabled, rehabilitating, convalescing or recovering from accidents or injuries of any age. The HOMEWATCH CAREGIVERS Services are rendered by home health aides, personal care providers, certified nurse assistants, registered nurses and licensed practical nurses. You will compete with a wide variety of other businesses and individuals that provide similar services in your market area. There are numerous enterprises and individuals in all areas of the United States providing some or all of the services you will offer through your HOMEWATCH CAREGIVERS Business, such as senior daycare centers, convalescent care providers and assisted living services.

Regulations.

You must comply with the federal Health Insurance Portability and Accountability Act of 1996, as amended (“HIPAA”) when using and disclosing information about Clients. In addition, you must follow state and federal health insurance and Medicaid procedures, if you are Medicaid certified, and stay informed about changes to them. You must determine whether there are state and local laws that regulate the operation of a HOMEWATCH CAREGIVERS Business in your area.

Currently 22 states require licenses or otherwise regulate some aspect of home care businesses. You are responsible for determining whether licensing or other regulations exist and if so, how you will comply with them.

You must comply with the federal Fair Credit Reporting Act when performing background checks on employees of your Business.

As of the date of this Offering Circular, we do not know if there are other state, local or federal regulations specific to the operation of a HOMEWATCH CAREGIVERS Business in your area. We will provide some assistance to you in complying with regulations, but we strongly recommend that you consult with an attorney regarding federal, local and state laws, rules and regulations that may affect the operation of your Business. In particular, we recommend that you check your state and local laws and regulations regarding bonding, insuring, and training your personnel who will be assisting Clients in their homes.

We require that your employees be bonded, insured and have some prior experience. You should also familiarize yourself with federal, state or local laws of a more general nature that may affect the operation of your HOMEWATCH CAREGIVERS Business. It will be your responsibility to comply with any laws affecting your Business.

Franchisor’s Prior Experience.

Since 1980, first HC, and then HII, have operated three HOMEWATCH CAREGIVERS Businesses in Denver, Colorado, offering HOMEWATCH CAREGIVERS Services. As of December 31, 2005, five HOMEWATCH CAREGIVERS Businesses were operated by franchisees owned by officers and directors of HII (see Item 20). HII sold franchises for pet/housesitting, handyman and companionship service businesses that used the service mark HOMEWATCH from 1993 through 1997. Some of our franchisees converted their businesses to the HOMEWATCH CAREGIVERS Services presently offered, but as of the date of this Offering Circular, we have only two franchisees offering pet/housesitting services using the HOMEWATCH Mark (see Item 20). We have been offering franchises exclusively for HOMEWATCH CAREGIVERS Services since January 1996. As of the date of this Offering Circular, other than as described above, neither HC nor HII have offered franchises in any other line of business, or owned or operated any HOMEWATCH CAREGIVERS Businesses.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer and Director: Paul A. Sauer

Mr. Sauer has served as Chief Executive Officer of HII since October 2005, he is the founder of HII, and he has been a Director of HII since its inception in December 1992. Since their inception, he has

also served as President and a Director of Home Care Services of Denver, Inc. (“HCD”), Homewatch CareGivers of the Greater Portland Area, Inc. (“HCP”), Home Care Services of ND, Inc. (“HCND”), and Homewatch CareGivers of Australia (“HCA”), all HII franchisees. Mr. Sauer served as President of HII from December 1992 to October 2005. He was President and Chairman of the Board of our predecessor, Homewatch Corporation, from 1976 to July 1997 when HC was merged into HII. Prior to that, Mr. Sauer was sole proprietor of Watchdog, a home services business in Denver, Colorado, from June 1973 to 1976. From 1967 to 1973, he was Chief Civilian Biochemist at Fitzsimmons Medical Center, a U.S. military hospital located in Denver, Colorado. Mr. Sauer was nominated for Entrepreneur of the Year in Denver, Colorado by the *Denver Business Journal* and *INC Magazine* in 1989. He has been recognized by *Entrepreneur Magazine* several times as the Outstanding Homecare Company during the last 10 years. Mr. Sauer was also recognized as National Sales Manager of the Year by Sales Professionals Inc. in both 1985 and 1989. Mr. Sauer has an Associates Degree in Marketing and Business from Regis College and a BS degree from the University of Nebraska in Medical Technology, where he majored in biochemistry.

President and Director: Leann Reynolds

Ms. Reynolds has served as the President of HII since October of 2005; and since 2001, she has been a Director of HII. From August 2003 until present, she has also served as the Vice President of HCP, of which she is a co-owner. From 2005 to present, she has been a Director of HCA. As the franchise co-owner of HCP, Ms. Reynolds achieved over 1 million in gross receipts annually within 2 years of initial start-up. Ms. Reynolds joined HII in 2001 and provided sales and operational support to the Northwest region. From 1998 to 2003, Ms. Reynolds served as a Northwest Services and Support Manager for Hewlett Packard, located in Portland, Oregon. From 1996 to 1998, Ms. Reynolds worked for Deutsch Communications in Munich, Germany implementing telecommunications services to 12 different cities. Ms. Reynolds has a Business degree with emphasis in International Marketing from the University of Colorado.

Director: Beatrice R. Sauer

Ms. Sauer has served as a Director of HII since its inception. Since their inception, she has been Vice President and a Director of HCD and HCND. She was a Director of HC from 1976 to July 1997 and Vice President of HC from 1976 through 1987. Ms. Sauer worked full time as a medical technologist and served as the Blood Bank Supervisor at Columbia Health Hospital in Aurora, Colorado, from 1990 through September 2000. Ms. Sauer has a B.S. degree in Medical Technology from Colorado State University. Ms. Sauer is currently retired and does not participate in the day-to-day operations of HII.

Senior Vice President of Franchise Support: G. Roger Rhodes

Mr. Rhodes has been our Senior Vice President of Franchise Support since January 2006. He served as our Senior Vice President of Business Development from March 2004 to January 2006. From March 2003 to March 2004, he was our Director of Business Development. From July 2000 through March 2003, Mr. Rhodes served as Vice President of Clinical Programs for UltraGuide, Inc., a medical device company providing three-dimensional guidance for surgeons and interventional radiologists, located in Lakewood, Colorado. Mr. Rhodes holds a Bachelor of Business Administration degree from the University of North Texas and a Masters in Business Administration from Rockhurst University.

Senior Vice President of Business Development: Jennifer Tucker

Ms. Tucker has served as our Senior Vice President of Business Development since January 2006. She was our Senior Vice President of Franchise Support from October 2005 to January 2006. From

January 2002 to October 2005, she served as our Vice President of Franchise Support. Before joining HII in January 2002, Ms. Tucker served as the Disability Wellness Coordinator for MCI WorldCom, then known as MidAtlantic Corporate Health, in Denver, Colorado, from 1998 through 2001. Ms. Tucker holds a Bachelors Degree in English, Government and Law from Lafayette College and a Masters Degree in Health Sciences from Johns Hopkins School of Public Health.

Senior Vice President of Franchise Development: Judy M. Wood

Since October 2005, Ms. Wood has served as our Senior Vice President of Franchise Development. She joined HII in January 2005 as Franchise Development Manager. From April 2003 to January 2005, Ms. Wood served as Franchise Development Manager for NHBA in Denver, Colorado. From August 2002 to April 2003, she was a sales associate for Mauldin Corporation, a La-Z-Boy franchisee in Denver, Colorado. From January 1998 to June 2002, Ms. Wood worked as a consultant in the information technology staffing industry, in Denver, Colorado, first as a manager with Command Technologies and then as an independent consultant providing solutions to client's IT staffing needs. Ms. Wood started working for The PACE Group in 1987 as a sales consultant in Dallas, Texas, and left as a Managing Principal and President of the Denver, Colorado office in 1997. Ms. Wood holds a Bachelors Degree from the Ohio State University in Columbus, Ohio.

Senior Vice President Finance: Lora Kelly

Ms. Kelly has been our Senior Vice President Finance since October 2005. From October 2003 to October 2005, she was our Director of Franchise Services. From August 2001 to October 2003, she was our Franchise Operations Manager. From September 1998 to August 2001, Ms. Kelly served as executive assistant and corporate secretary of Entrepreneur Investments, LLC, a company that started new companies and listed their stock for public trading, located in Littleton, Colorado.

Vice President of Franchise Development: Alexander Morrison

Mr. Morrison has served as our Vice President of Franchise Development since March 2003. From August 2002 to March 2003, he was our Franchise Development Manager. From June 1988 to October 2001, Mr. Morrison was an Account Manager and Sales Representative for Ethicon Endo-Surgery, Inc., a Johnson & Johnson company, located in Cincinnati, Ohio, where he consulted with surgeons and sold medical operating room equipment. Mr. Morrison has a degree in English from Colorado College in Colorado Springs, Colorado.

Vice President International Sales: Lisa Bolton

Ms. Bolton has been our Vice President International Sales since August 2005. From February 2005 to August 2005, she was Director of Franchise Marketing of HII. Before joining HII in February 2005, Ms. Bolton served as Marketing Director for Crestcom International, Ltd. from October 1992 to January 2005. From January 1998 to January 2005, she also served as Marketing Director for Crestcom's affiliated company, FasTracKids International, Ltd., located in Greenwood Village, Colorado. Ms. Bolton holds a Bachelors Degree in International Relations from the University of Colorado.

Franchise Brokers:

See Exhibit G to this Offering Circular for a list of our franchise brokers.

ITEM 3

LITIGATION

1. In re matter of Homewatch International, Inc. On January 20, 1997, a Consent Cease and Desist Order was entered against us by the State of Minnesota, Commissioner of Commerce, in which we were ordered to stop offering or selling franchises in the state of Minnesota until we either registered or qualified for an exemption from registration and paid a \$500 civil penalty. We admitted no wrongdoing, but paid the fine and registered in the state of Minnesota in 1998.

2. Joe and Linda Itman and LJI, Inc. v. Homewatch International, Inc., Case No. 77E 144 00003301. On February 5, 2001, Joe and Linda Itman, former franchisees, filed an arbitration claim against us with the American Arbitration Association. The Itmans alleged that we agreed to buy their franchise business and then breached that agreement. The Itmans further claimed that we breached various franchise-related agreements, fraudulently induced them to enter into those agreements and that we intentionally interfered with their prospective contractual relationships. We denied their claims and asserted that the Itmans failed to pay past due franchise fees and royalties and made material misrepresentations to us during the negotiation of the sale of the franchise. HII settled this case on September 4, 2001, by paying the plaintiffs a total of \$28,000.

See Exhibit G to this Offering Circular for litigation information for our franchise brokers. Other than these two actions described above and those in Exhibit G, no litigation is required to be disclosed in this Offering Circular.

ITEM 4

BANKRUPTCY

No person previously identified in Items 1 and 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.

ITEM 5

INITIAL FRANCHISE FEE

Except as noted below, you pay an initial franchise fee of \$28,500 for a minimum of 30,000 persons 65 years of age or older living in the territory we grant to you ("**Territory**"), as further described in Item 11 below. An additional Territory ("**Second Territory**") may be awarded if you meet our financial and experience requirements. See Item 11 for more information about the Second Territory. A Second Territory must be purchased simultaneously with the initial Territory. The franchise fee for the Second Territory is \$20,000 for a minimum of 30,000 persons 65 years of age or older living in the Second Territory. If you desire, and we grant you, a Territory or Second Territory containing more than 35,000 or less than 20,000 persons age 65 and older, the initial franchise fee for the Territory or Second Territory (as applicable) will be increased by \$500 per 1,000 persons age 65 and older living in the Territory in excess of 35,000, or reduced by \$500 per 1,000 persons age 65 and older living in the territory less than 30,000; in either case rounded to the nearest 1,000 persons.

As of the date of this Offering Circular, we obtain the demographic information to determine the size and boundaries of your Territory from Claritas, Inc., located in San Diego, California, using data from 2005.

The initial franchise fee is fully earned by us when you sign the Franchise Agreement and we do not refund it under any circumstances

Our franchise fee includes the following value-added packages:

1. Training – Intense five day initial training course covering all components of the business, including operations, marketing, business planning, administration and safety.
2. Marketing – Proprietary databases of people in your Territory from whom you may receive referrals; assistance with opening marketing campaign; and access to preferred provider programs, third party payor sources, national account agreements and strategic alliances. You receive hard copy as well as downloadable material from our Intranet for most of your marketing needs. We also provide assistance with customizing specialized materials for special events.
3. On-Going Support – One-on-one support from our Franchise Support Department beginning up to 8 weeks before, and continuing for the period running 8 weeks after, the initial training program. Other on-going support includes regular tele-conferences, Internet conferences, in-field support, newsletters, regional conferences and an Annual National Conference. You are also given a 52-week business plan and 12-month pro forma financial statement that provides a very clear roadmap of your activities for your first year in business.
4. Services – Homewatch CareGiver Academy for continuing education for CareGivers and LTG™ (Lifetime Training Guarantee) for your personnel during the initial term of your franchise agreement. Prospective client referrals originating from our corporate Website and Client and care giver leads from numerous preferred provider programs and networks established by HII. Local press releases and campaigns designed for your business.

Occasionally, we may offer incentive or bonus plans to attract new franchisees. Incentives, when offered, may vary as to amount and duration. We offer incentives for the benefit of the entire system, because more franchisees will be able to handle more Clients, and expansion of our system will improve the HOMEWATCH CAREGIVERS brand recognition and image nationwide.

If you qualify for the VetFran program, which requires that you can provide HII evidence of an honorable discharge from the armed services, you will receive a 5% discount on the initial franchise fee.

Except as described in this Item 5, all franchisees currently acquiring a franchise pay the same franchise fee.

ITEM 6

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty ¹	5% of monthly Gross Billings on non-Medicaid Clients. ² You must pay a 2% Royalty on all Medicaid Gross Billings.	Payable monthly by the 15th of each month for the preceding month	Reports are due each month even if no Royalty is owed. The Royalty will be paid by electronic funds transfer.
Local Advertising and Marketing ^{1,3}	You must spend a minimum of 4% of Gross Billings on local advertising. ² The 4% is averaged on an annual basis	As incurred but not less often than every month	(Note 3)
National Advertising Fee ¹	1% of monthly Gross Billings	Payable monthly by 15th of each month for the preceding month	This fee is for creation, production, placement and dissemination of advertising and marketing materials. See Item 11. This fee is paid by a separate electronic funds transfer.
Opening Advertising Campaign ^{1,4}	Not less than \$5,000	Within 60 days after your Business opens	We will advise you on materials and media to use in conducting your Opening Advertising Campaign. This money will be paid to third parties and you will send us copies of the receipts from them to document your opening advertising campaign.
Renewal Fee ¹	25% of the then-current Franchise Fee	Upon signing successor Franchise Agreement	Fee is payable upon execution of successor agreement.
Transfer Fee ¹	\$6,000	Before consummation of transfer	You must obtain our prior written consent to any transfer.
Audit Costs ¹	Cost of inspection or audit	As incurred	Payable only if you understate your Gross Billings by 2% or more
Initial Training Program Expenses ⁴	Will vary under circumstances	As incurred	The initial training is included with your initial franchise fee, but you must pay for your travel, lodging and living expenses.

Name of Fee	Amount	Due Date	Remarks
Additional Mandatory Training, Conventions, and Conferences ^{1,4}	Costs associated with attending mandatory training sessions, conventions and other meetings	As incurred	We reserve the right to require your attendance at one annual convention and one regional conference per year. You will also be required to attend training in optional service programs we offer (if any) if you wish to offer those programs. We or a third party may charge a training fee for these sessions, and you must pay for your travel, lodging and living expenses.
Interest ¹	Lesser of 12% per annum or highest rate allowed by law; with a minimum interest charge of \$35 per instance, if permitted by law	As incurred	Begins to accrue the day after payments are due.
Royalty Report Late Fee ¹	\$50 per late report	As incurred	We may assess this fee if you do not submit your Royalty reports within 10 days of the due date.
Background Checks	Will vary under the circumstances	As incurred	You must run background checks on all employees and independent contractors before hiring them, and annually thereafter.
Costs and Attorneys' Fees ¹	Will vary under the circumstances	As incurred	Payable if we are successful in a legal action or arbitration proceeding.
Indemnification ¹	Will vary under the circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your HOMEWATCH CAREGIVERS Business operations.
Software Updates and Maintenance ⁴	Annual upgrade for Generations is, as of the date of this Offering Circular, \$600, and for other software it varies under circumstances	As incurred	For Generations scheduling software and other programs. Paid to third party suppliers. You must update software periodically and you may wish to obtain technical support from a third party.
Electronic Commerce, Maintenance and Automated Backups ¹	\$100 a month as of the date of this Offering Circular, but subject to change as costs change.	Option to pay monthly or annually	You must pay for and participate in these communication requirements. These fees are paid to HII. ⁵

¹ Fees and costs imposed and payable to us. All of these fees and costs are nonrefundable.

² "Gross Billings" are all amounts billed by you as a result of any and all services provided at, through, or in connection with, your HOMEWATCH CAREGIVERS Business, excluding sales taxes, but including all amounts received by you even if you have contracted out with third parties to provide certain of the authorized services to your customers.

³ This amount is not paid to us, but must be spent by you. However, we have the right to establish a regional advertising cooperative for an area that includes your Territory and/or Second Territory, if applicable. In that situation, all or a part of this amount, as determined by the advertising cooperative, must be paid by you to that advertising cooperative. See Item 11.

⁴ Fees and costs payable to third parties. All of these are nonrefundable.

⁵ As of the date of this Offering Circular, we provide you with pages on our Website and two electronic mail addresses. If you choose to have additional pages or electronic mail addresses, you will pay us more for those items.

ITEM 7

INITIAL INVESTMENT

Expenditures	High	Low	When Due	Method of Payment	Whether Refundable	To Whom Payment Is To Be Made
Initial Franchise Fee per Territory (See Note 1)	\$48,500	\$28,500	On signing of Franchise Agreement	Lump sum	Nonrefundable	HII
Rent (See Note 2)	1,200	400	As incurred	As agreed	Nonrefundable	Other Suppliers
Initial Telephone System Costs – installation of 2 lines (See Note 3)	450	300	As incurred	As agreed	Nonrefundable	Other Suppliers
Training Expenses (See Note 4)	2,000	700	As incurred	As agreed	Nonrefundable	Other Suppliers
Office Equipment and Computer Hardware (see note 5)	2,000	2,000	As incurred	As agreed	Nonrefundable	Other Suppliers and business partners
Computer Software (See Note 5)	2,700	2,200	As incurred	As agreed	Nonrefundable	Other Suppliers and HII
Laptop Computer	1,500	1,200	As incurred	As incurred	Nonrefundable	Other Suppliers
Franchisee Internet Web Site, Intranet and E-mail Address Set Up (See Note 5)	1,200	100	Before Starting Business	As agreed	Nonrefundable	HII.
Office Internet Connection With DSL, T-1 or Wireless Service See Note 5)	100	50	Before Starting Business	As Agreed	Nonrefundable	Your local service provider
Insurance, Liability and Bonding (See Note 6)	2,000	1,200	Before Starting Business	As agreed	Nonrefundable	Other Suppliers

Expenditures	High	Low	When Due	Method of Payment	Whether Refundable	To Whom Payment Is To Be Made
Opening Advertising Campaign (See Note 7)	8,500	5,000	Within 60 days of starting Business	As agreed	Nonrefundable	Other Suppliers
Additional Funds for 6 months (See Note 8)	26,000	7,500	As incurred	As agreed	Nonrefundable	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 9)	\$96,150	\$49,150				

Explanatory Notes

Note 1. Initial Franchise Fee. The initial franchise fee is \$28,500 for a Territory containing a minimum of 30,000 persons 65 years of age or older. A Second Territory may be awarded for an initial franchise fee of \$20,000 for a Territory containing a minimum of 30,000 persons 65 years of age or older. The initial franchise fee will be increased or decreased for a Territory or Second Territory containing more than 35,000 or less than 30,000 persons age 65 or older. See Item 5. The "High" amount assumes two Territories with 30,000 persons age 65 or older. The "low" amount assumes one Territory of that size. The initial franchise fee includes, without additional charge, an initial supply of printed materials including ad slicks, brochures, forms and our initial marketing package containing specifications for signs, uniforms and forms.

Note 2. Rent. You must rent commercial office space within six months after you complete the initial training program. Your office space may be examined by us and it must meet our standards as described in the Operations Manual. Lease costs may vary significantly depending on the geographic location of your HOMEWATCH CAREGIVERS Business. The high-end figure in the chart estimates only one month's rental in an office building for approximately 400 to 600 square feet of office space that does not require leasehold improvements. If you choose to rent unimproved office space, the cost for leasehold improvements may include partitions, paneling, carpeting, electrical wiring, painting, plumbing and storage shelving. The cost of leasehold improvements may vary substantially from location to location.

Note 3. Initial Telephone System Costs. These are the costs associated with installation and set-up of your telephone system. You must have a minimum of two dedicated HOMEWATCH CAREGIVERS Business telephone lines and a live person answering your phone number at all times during regular business hours. In addition, you must have an answering system capable of sending recorded messages to a cell phone or pager, 24 hours a day, seven days a week. You must have one person on call 24 hours a day to return urgent phone messages. Your telephone system must be capable of being rolled to a pager or cell phone, and must also be able to handle conference calls.

Note 4. Training Expenses. Tuition for up to three individuals attending our initial training program is included in your initial franchise fee. You are responsible for all travel, lodging and living expenses associated with attendance at the initial training program and other training programs. We provide four box lunches and one dinner at a restaurant during the initial training program.

Note 5. Office Equipment and Computer Hardware and Software. You must purchase a Microsoft compatible computer and specified software. We also require you to have a cellular phone for your Business, a fax machine and a copy machine. You are required to have either a DSL, T-1 or wireless Internet connections installed at your office location. See Items 8 and 11 for more information about the software you are required to purchase. You are required to bring a laptop computer to the initial training program.

Note 6. Insurance, Liability and Bonding. It is your responsibility to obtain and provide to us proof of insurance and maintain the following insurance coverage: (i) comprehensive general liability and professional liability insurance for the Licensed Location and the Business with an initial limit of not less than \$1,000,000 combined single limit; (ii) bonding of your caregiver employees or independent contractors, and employees with accounting or bookkeeping duties, in the amount of \$10,000 per employee or independent contractor; (iii) automobile liability insurance covering all employees with authority to operate a motor vehicle in an amount not less than \$1,000,000; (iv) unemployment and workers' compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of applicable law; and (v) all-risk personal property insurance in an amount equal to at least 90% of the replacement costs of the contents and tenant improvements located at the Licensed Location. As soon as you achieve annualized Gross Billings of \$1,500,000 or more, your minimum coverage requirement for comprehensive general liability and professional liability insurance will be \$2,000,000 combined single limit. The required policies of insurance must list us, HII, as an additional insured and provide for 30 days advance written notice to us of cancellation. The cost of the insurance premium will vary depending on the location and size of your Business premises and the number of employees. The cost of the insurance premium may also change periodically due to changes in insurance rates.

Note 7. Opening Advertising Campaign. You are required to spend a minimum of \$5,000 on an opening advertising campaign to promote and market the HOMEWATCH CAREGIVERS Services provided by your Business. These expenditures are in addition to Local Advertising expenditures. See Item 11. We encourage you to implement a JumpStart Marketing program as outlined in our Operations Manuals. Our staff will help you design and implement this initial advertising campaign. See Item 11.

Note 8. Additional Funds. This amount is an estimate of your pre-operational expenses that are not listed above, as well as estimated additional funds necessary for the first six months of your Business operations. These expenses include payroll costs, including costs for an operations and/or marketing position, but do not include any draw or salary for you. This estimate also includes amounts incurred for taxes, royalties and other operational expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the Business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skills; experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during this initial period. You may incur expenses in connection with the establishment of telephone, telephone answering service, and Internet service related costs. You may also incur expenses for business license fees, legal fees, and accounting fees. These expenses vary substantially from location to location.

Note 9. Total Investment. We relied on our principals' more than two decades in the home services business to compile these estimates. These estimates do not include any salary or draw for you. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Your HOMEWATCH CAREGIVERS Business must be established and operated in compliance with your Franchise Agreement. You must purchase or lease equipment, products, services and supplies used at or offered through your Business in compliance with the standards and specifications contained in the materials we provide to you. These materials consist of one or more manuals, technical bulletins or other written materials (we refer to all manuals and other written materials as our “**Operations Manuals**”), which we may modify. Our standards and specifications may include standards for performance, design, use of our Marks, quality, appearance, and standards for compliance with local regulations. You may purchase or lease original and replacement equipment, products, supplies and services meeting our specifications from any approved source. After signing the Franchise Agreement and upon reasonable request by you, we will make available to you a list of presently approved suppliers and vendors.

We are currently an approved vendor of various supplies and computer software you will use in your HOMEWATCH CAREGIVERS Business, including: (1) grand opening advertising and promotional materials; (2) initial marketing package; (3) invoices; (4) business forms; (5) software package, described in Item 11; and (6) other advertising materials. These supplies and software may be obtained from other approved suppliers if they meet minimum standards and specifications established by us. You must also purchase other specified software from third party vendors. See Items 7 and 11. The cost of supplies, software, equipment and all other items purchased in accordance with our standards and specifications represents 5% to 15% of your total purchases in connection with the establishment of your HOMEWATCH CAREGIVERS Business, and 5% to 10% of your overall purchases in operating your HOMEWATCH CAREGIVERS Business after it has been established. If you choose not to accept any of the supplies and equipment that are provided to you free of charge upon payment of the initial franchise fee, **you will not be entitled to any reduction or off-set in the initial franchise fee.** For the year ended December 31, 2005, we derived \$74,038 or 2.5% of our total revenues of \$2,989,359 from purchases by franchisees.

If you propose to purchase or lease any equipment, products, supplies or services not previously approved by us as meeting our specifications, you must first notify us in writing requesting our approval. We will notify you of our approval or rejection of the proposed supplier within 30 days after our receipt of your request. We may withhold approval of the proposed supplier for any reason; however, we will not unreasonably withhold our approval of a supplier of your choosing if the supplier meets our standards and specifications regarding the items to be supplied to you. We may require submission of sufficient specifications, information, or samples to determine whether the items meet our standards and specifications. Our criteria for approving suppliers will not be made available by us for you to review.

We have a Internet-based store for our franchisees that started in January 2003 selling select promotional items used in your Business, but all purchases from this store are voluntary. Although not obligated to do so, we may negotiate purchase arrangements with suppliers for the benefit of our franchisees. We did not receive any monies in 2005, but we reserve the right to receive rebates, incentives or overrides by third party suppliers from whom you buy items. You do not receive a material benefit from us based on your use of any particular designated or approved source.

All marketing and promotion of your Business must conform to our standards and specifications. At least 10 days before you use them, you must submit for our approval all advertising materials; including materials posted on the Internet, not prepared or previously approved by us.

You must purchase and maintain certain types and coverages of insurance for your HOMEWATCH CAREGIVERS Business. See Items 7 and 9 of this Offering Circular. If you fail to purchase this insurance, we may demand that you cease operations, or we may obtain insurance for you and you must reimburse us for the cost of insurance. We reserve the right to require you to change the type of insurance you are required to maintain and upon 60 days prior written notice to you, revise the required coverage limits.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in Franchise Agreement	Item in Offering Circular
(a) Site selection and acquisition/lease	Sections 1.3 and 5.2 of Franchise Agreement	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 5.2 and 5.12	Item 7
(c) Site development and other pre-opening requirements	Sections 5.2, 5.3, and 5.12	Items 7 and 11
(d) Initial and ongoing training	Sections 5.1 and 5.10	Item 11
(e) Opening	Sections 3.5 and 5.3	Item 11
(f) Fees	Article 2 and Sections 3.2, 3.4, and 5.12	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manuals	Sections 5.3, 5.4, 5.6, and 5.8	Items 11 and 14
(h) Trademarks and proprietary information	Sections 5.4, Article 7 and Section 10.3	Items 13 and 14
(i) Restrictions on products/services offered	Sections 5.3, 5.8, and 5.9	Item 16
(j) Warranty and customer service requirements	Section 5.8 (only customer service requirements)	None
(k) Territorial development and sales quotas	Sections 5.3 and 5.8	Item 12
(l) On-going product/service purchases	None	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 5.7 and 11.1	Item 8
(n) Insurance	Section 5.11	Items 7 and 8
(o) Advertising	Article 3	Items 6 and 11
(p) Indemnification	Section 6.2	Item 6
(q) Owner's participation/management/staffing	Sections 5.8 and 5.9	Item 15

Obligation	Section in Franchise Agreement	Item in Offering Circular
(r) Records/reports	Sections 2.3, 3.1 and 5.5	Item 6
(s) Inspections/audits	Sections 5.3 and 5.5	Item 6
(t) Transfer	Article 9	Item 17
(u) Renewal	Article 11	Item 17
(v) Post-termination obligations	Sections 8.7 and 10.2	Item 17
(w) Non-competition covenants	Article 10	Item 17
(x) Dispute resolution	Articles 12 and 13	Item 17

ITEM 10

FINANCING

Neither we nor any agent or affiliate currently offers direct or indirect financing. We do not guarantee your notes, leases or other obligations. We are unable to estimate whether you will be able to obtain financing for any part or all of your investment and, if so, the terms of such financing.

ITEM 11

FRANCHISOR'S OBLIGATIONS

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

Pre-Opening Assistance.

Before you open your Business, we will do the following:

1. Advise you in becoming licensed if your state requires licensing, and in the selection of and contracting with suppliers of equipment, supplies and other items (Section 4.1(a), Franchise Agreement).
2. Loan you one copy of our confidential and proprietary Operations Manuals covering operating techniques, standards and specifications for products and services, administration, operations and methods of doing business; including all updates and revisions (Section 4.1(b), Franchise Agreement). The Operations Manuals have a total of 374 pages. The Tables of Contents for the Operations Manuals are attached to this Offering Circular as Exhibit H.
3. Train up to three people for five days at our principal offices in Denver, Colorado or another location selected by us (Section 4.1(c), Franchise Agreement).
4. Provide to you assistance, orientation and advice via teleconferences, faxes, electronic mail or by sending our representative to meet with you regarding your opening advertising campaign and

related issues during the period beginning eight weeks before through eight weeks after the initial training program. (Section 4.1(d), Franchise Agreement).

5. Provide to you a 52-week business plan with steps for you to take each week to build your business, and 12-month pro forma financial statement to assist you in managing the financial aspects of the business.

6. Provide to you the Franchise Literature/Image Package described in Exhibit IV of the Franchise Agreement.

Ongoing Assistance.

During the operation of your Business, we will do the following:

1. Upon your reasonable request, consult with you by telephone or electronic mail regarding the continued operation and management of your HOMEWATCH CAREGIVERS Business (Section 4.2(a), Franchise Agreement).

2. Provide you with news and updates through electronic mail containing information regarding the industry and the HOMEWATCH CAREGIVERS Business (Section 4.2(b), Franchise Agreement).

3. Periodically make advertising and promotional materials available to you, either free of charge or at a price that covers our costs, at our option (Section 4.2(c), Franchise Agreement);

4. Refer you to prospective clients in or near your Territory who contact us seeking information regarding the HOMEWATCH CAREGIVERS services (Section 4.2(d), Franchise Agreement).

5. During the first 180 days after your Business opens, provide, on a one-time-only basis, a staff person to visit your Business for up to three days to provide operational assistance, including assistance in marketing, public relations, account development, your Opening Advertising Campaign, and other operations assistance. You will pay for all advertising materials and supplies (Section 4.2(e), Franchise Agreement).

6. Provide a life-time training guarantee (LTG™) for your new office staff members if you want them to attend all or a part of our regularly-scheduled training program at any time during the initial term of your Franchise Agreement (Section 4.1(c), Franchise Agreement).

7. Provide various products and/or services as we may make them available to you from time to time, in our sole discretion; for example, our current offerings include a franchise owner mentor program, orientation and training tapes, PowerPoint presentations for CareGivers, access to databases from which you may obtain referrals to prospective clients, and Internet-related services including Web pages and two electronic mail addresses. These are examples of products and services we currently offer to you, but we are not obligated to continue to offer any of them, in our sole discretion (Section 4.2(f), Franchise Agreement).

8. If you desire additional assistance more than 180 days after your Business opens, we will on one or more occasions, as we deem reasonable, send a representative to visit your HOMEWATCH CAREGIVERS Business and provide assistance. Before the visit, HII may determine, at its option, to

require you to pay a daily fee for our services, in addition to expenses, for the additional assistance (Section 4.3, Franchise Agreement).

Advertising Programs.

National Advertising Fee. You must pay to us a fee as specified in Item 6 (“**National Advertising Fee**”) for advertising for the HOMEWATCH CAREGIVERS system. All company-owned Businesses are required to pay National Advertising Fees on an equal percentage basis with all franchised Businesses. The National Advertising Fee is placed in a segregated account (“**Advertising Account**”). We will not use the Advertising Account to solicit franchisees. Any interest that is earned from this account will become part of the Advertising Account. Upon your request, we will provide to you twice during the calendar year, no later than March 1 and September 1 of each year, an unaudited financial statement for the funds in the Advertising Account for the previous two quarters.

The Advertising Account will be administered by HII in its sole discretion, but in consultation with the HII Franchise Advisory Council (if the Council is in existence) for all advertising expenditures reasonably intended to benefit HOMEWATCH CAREGIVERS Businesses. HII may reimburse itself and its representatives from the Advertising Account for the payment of costs related to administering the Advertising Account; such as reasonable salaries, administrative costs, travel expenses and overhead we may incur in fulfilling activities related to the administration of the Advertising Account, subject to a maximum amount per year of 15% of the cost of the advertising programs. The Advertising Account may be used for creation, production (either through an advertising agency or in-house), or media placement of advertising materials; and these materials may be disseminated through television, radio, print, the Internet or any other media we deem appropriate, in our sole discretion. Any amounts that remain in the Advertising Account at the end of each year will accrue and we will apply them toward next year’s expenses. We make no guarantee to you or to any other franchisee that expenditures from the Advertising Account will benefit you or any other franchisee directly or on a pro rata basis. We are not required to spend any money in the Advertising Account in, or for the benefit of, your Territory. We will assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to any Advertising Account or with respect to maintaining, directing or administering any Advertising Account.

The National Advertising Fee will be in addition to, and not in lieu of, your expenditures for local advertising described below. The National Advertising Fee may, in our discretion, be allocated back to a regional advertising cooperative, as described below. We reserve the right to require you to pay National Advertising Fees by electronic funds transfer from your bank account. This transfer is a separate transfer from that made for your Royalty payment.

We have not collected the National Advertising Fee prior to 2006.

Local Advertising Expenditure. You must spend no less than 4% of the monthly Gross Billings of your HOMEWATCH CAREGIVERS Business, on average each month, for local advertising in your Territory. You will spend these amounts for approved advertising and you must submit a report, in the form specified by HII, on or before the 15th day of each month, showing the amount spent on local advertising during the previous month. If requested by HII, you must also submit to HII documentation, in the form specified by HII, of amounts spent. You are responsible for the placement of all local advertising. The advertising and promotion of your Business in accordance with our standards and specifications regarding advertising is an essential aspect of the Licensed Methods, and you must comply with all of our advertising standards and specifications. We require you to list and advertise your HOMEWATCH CAREGIVERS Business in the manner prescribed by us in the principal regular (white

pages) and classified (yellow pages) telephone directories distributed in your Territories, in directory categories as we determine.

Advertising Cooperative. We reserve the right to require the establishment of a cooperative advertising association (“Association”) if two or more franchisees are located in an ADI (as defined below), where feasible. An Association, if established in our sole discretion, will consist of other HOMEWATCH CAREGIVERS franchisees (and, if applicable, company-owned HOMEWATCH CAREGIVERS Businesses) that are within a geographic area we prescribe, usually consisting of one or more marketing areas of dominant influence as determined by Neilson DMA (“ADI”). If we establish an Association within an ADI where you are located, you must join the Association and contribute up to 4% of your monthly Gross Billings into a fund established and maintained by the Association. The money contributed to the Association will be due by the 15th day of each month, for all Gross Billings received by you in the previous month, and will proportionally reduce your local advertising expenditure requirement. The Association will be administered by a person selected by a majority vote of the Association members with assistance by HII. HII may seek reimbursement for its reasonable costs, salaries and overhead in assisting the Association. The funds contributed to the Association will be spent only on those advertising and promotional programs that are approved by a majority of the members of the Association. Voting will be one vote per Business or one vote per franchisee, or based on the percentage of advertising fees paid by a particular Business as compared to the total advertising fees paid by all members of that Association (depending upon that Association’s rules). Each Association of which you are a member will operate under written rules of conduct its members may review. The Association of which you are a member will be required to prepare unaudited financial statements and send them to you if you request them. We can form, change, and dissolve Associations.

Computer and Electronic Systems.

You must purchase, use, maintain and update computer equipment, telephone systems and software programs that must meet our specifications as they evolve over time; and which, in some cases, may only be available through us, our affiliates and/or suppliers designated by us. We also require that you have a copy machine and fax machine. We require that you have a cell phone, telephone conferencing ability and the ability to roll your telephone answering to a cell phone. You must pay all amounts charged by any supplier or licensor (which may be us or an affiliate) of the systems and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs. We will not have independent access to information and data that you electronically collect.

We do not require you to purchase any particular brand of computer hardware; however, your computer hardware must be Microsoft compatible. You must purchase the specific software described below. If your Business participates in some government funded programs, you might consider purchasing other designated scheduling software from outside suppliers. You have a contractual obligation to update hardware and software components, and there are no contractual limits on the frequency or cost of this obligation.

Computer Hardware: We require that your computer system include all of the following minimum requirements:

1. Microsoft compatible computer with minimum processing of a Pentium IV or faster. You must have laptop computer for training, and you may use that computer for your business if it meets these specifications; or you must also obtain a desktop computer.
2. Minimum hard disc capacity and RAM capacity to run the software specified below.
3. DSL, Wireless or T-1 Internet service.

4. Inkjet Printer (example: Hewlett Packard Deskjet Series) or laser printer.

Computer Software: We require you to purchase and install the most recent version of Microsoft Windows as your operating system.

As of the date of this Offering Circular, you must purchase from a supplier of your choice all of the following software:

1. Microsoft Office software, including Publisher, Excel and PowerPoint, providing access to all marketing collateral and graphics, operational data, forms, and newsletters via the Intranet.
2. AddressGrabber, providing rapid copying and pasting of files with an interface with ACT!, MS Word, MS Outlook, Labelmakers, and Clipboard.

As of the date of this Offering Circular, you must purchase from HII, at our cost, all of the following software:

1. Generations scheduling software.
2. QuickBooks Pro.
3. Customized ACT!, with homecare industry database built in, referral letter templates, and homecare categories developed for efficient contact management. Also comes with links to senior organizations and other databases where you may find potential Clients.
4. Anti-virus and anti-spam programs, as specified by us from time to time.

You must pay for upgrades and updates for all software. You may purchase maintenance and support contracts from third parties if you wish, but that is not required.

Central Billing System: We may establish a central billing system, administered by us or our designee, for all of your Client billing. If so, you must participate in the system, as specified by us, and pay the costs associated with that system.

Franchise Office Selection.

You are responsible for selecting and acquiring the office space for the Business, but your office space (“**Licensed Location**”) must be located in your Territory and it is subject to our approval. If you do not receive a written response to your request for approval of a Licensed Location within 30 days, your site shall be deemed approved. If we approve it, you may initially operate your Business out of your home. However, we require that you obtain commercial office space within six months after you complete the initial training program. We encourage you to be frugal when determining your site location and office space. Our assistance in connection with the selection and approval of an office location is generally limited to providing written criteria for a satisfactory location and reviewing the information you provide to determine whether the location fulfills the criteria. We consider the following factors (among others) in reviewing and approving proposed Licensed Locations: size and condition of office space, parking access, and geographic location within the Territory. Our approval of a location does not infer or guarantee the success or profitability of an approved location in any manner. We may approve your Licensed Location before you sign the Franchise Agreement, but you are not penalized if we do not agree on a Licensed Location until after the Franchise Agreement is signed.

Schedule for Opening.

We estimate that the typical length of time between the signing of the Franchise Agreement, or the payment of any consideration by you for your Business, and the opening of your Business is approximately 60 to 135 days. The factors affecting this time period are: your ability to find and lease or purchase an acceptable office location, secure financing, meet regulatory requirements, secure proper insurances for operation, take delivery of required equipment and supplies, and complete the pre-opening list in the Business Start-Up Manual. You must Open the Business (as defined in the Franchise Agreement) within 45 days of your completion of the initial training program.

Additional Training Information.

You may send up to three people to our initial training program. You, or if you are not an individual, a majority owner of you, and if applicable, the person who will be primarily responsible for managing your Business (“**Principal Operator**”), must attend the entire initial training program. You, a majority owner of you, and the Principal Operator (as applicable) must attend the initial training program within 3 months of the effective date of the Franchise Agreement, but not less than 1 month prior to the target date established by us. You, a majority owner of you, and the Principal Operator (as applicable) must successfully complete, in our sole assessment, the initial training program. We reserve the right to charge tuition if you elect to send more than three people to the initial training program, and additional trainees are allowed only on a space available basis. We conduct the initial training program at our offices in Denver, Colorado or any other location we select, at our sole discretion. The training program lasts five days.

We also provide you with up to 12 weekly telephone consultations before and after your Business opening, as well as up to three days of on-site assistance within 180 days after you open your Business. You or your Principal Operator must attend any additional mandatory on-going training programs or seminars we may offer. We agree to give you 30 days prior written notice of any mandatory on-going training programs or seminars. We will not require that you attend more than one annual convention and one regional conference per year. We may give you the opportunity to offer optional caregivers programs in your Business. If so, and if you desire to offer those programs, you will be required to attend training concerning those programs, and pay the training fee we impose. You must pay all transportation and living expenses incurred by you and your employees in connection with attending initial and on-going training programs or seminars. The training material consists of manuals, other written and visual materials and computer disks.

Training will be conducted after the Franchise Agreement is signed and before you open your Business. The training program is usually conducted 12 times each year. We provide four box lunches for participants in the training program and one dinner at a restaurant.

The following table shows our schedule for our initial training program as of the date of this Offering Circular.

Subject	Instructional Material	Hours of Classroom Training
<u>Introduction</u> History Vision, Mission & Philosophy Organization Chart Overview of Services Office Tour	Business Operations Manual	3.5
<u>Business Set-Up & Opening</u> Area Development - Territory Manager Liability Insurance Worker's Comp Insurance Compliance Issues Royalties Vendors Human Resources Motivation & Goals Filing Categories / Vital Data	Business Administration Manual Vendor Brochures	1.75
<u>Franchise Partner Roles & Responsibilities</u>	Handouts Royalty Report Form	.5
<u>Q&A / Evaluations</u> Determining what YOU need 1:1 with Support Staff	Evaluations Supplemental Material as Needed	1.5
<u>Marketing</u> What business are we really in? Selling Benefits, not Features Top 10 Referral Sources The "A" List Drip Marketing, Encirclement & the Principle of Multiple & Varied	Marketing Manual Power Point Presentation	3.75
<u>Caregiver FAQs</u> Services Defined Clients Defined CareGivers Defined Scope of Practice in your state (CAN, HHA, PCP, PCA, First Aid, CPR Certifications & Medical Terminology) Department of Health State Nursing Board State Home Care Association	Safety Manual PowerPoint Presentation Handouts	1.5
<u>CareGiver Human Resources</u> Recruiting Hiring (Interview protocols, background checks, HR documents, Orientation of new hires, Employee Team Handbook, & performance review HIPAA	Office Team Member Handbook PowerPoint Presentation Vendor Information	2.0
<u>ACT! Database</u>	PowerPoint Presentation Handouts	1.25
<u>Q&A / Evaluations</u> Determining what YOU need 1:1 with Support Staff	Evaluations Supplemental Material as Needed	1.5

Subject	Instructional Material	Hours of Classroom Training
<u>Sales & Marketing</u> Differentiation Collateral, packages & drop offs The approach & developing relations The power of testimonials Tracking & sales management Internet marketing Long term care ins. & payor sources Mass promotion & Yellow Pages Resource Directories VIP letter & press releases Quadrant Growth Networking & Elevator Speech	Marketing Manual PowerPoint Presentation Examples / Sample Marketing Materials	3.75
<u>Bookkeeping / Accounting / Billing</u> Accounts Receivable Accounts Payable Payroll & Billing Timesheets QuickBooks Set-Up	Step-By-Step Instructions Sample Reports Federal Tax Information	2.25
<u>IT Support Review</u>	Handouts	.5
<u>Q&A / Evaluations</u> Determining what YOU need 1:1 with Support Staff	Evaluation Supplemental Material as Needed	1.5
<u>Scheduling</u> Scheduler's duties & responsibilities Case orientation Conversation with a CareGiver Outsourcing	PowerPoint presentation Assessment Pack (all forms) Service Pricing Program Packages	2.75
<u>IDS Demo</u>		1.0
<u>Customer Service-Inside/Outside Marketing</u> Inquiries How to get the assessment Telephone sales training / role play	Marketing Manual Worksheet Guide Intake Samples	2.25
<u>Q&A / Evaluations</u> Determining what YOU need 1:1 with Support Staff	Evaluations Supplemental Material as Needed	1.5
<u>The Assessment Packet</u> Care Plan Service Agreement Client's Rights Safety Evaluation Fall Risk Assessment Package Services Pricing Services Literature Box Review Role Play	Assessment Pack PowerPoint Presentation Program Packages Service Pricing Handouts	1.5
<u>CareGiver Module Training Program</u>	Module Materials	.5

Subject	Instructional Material	Hours of Classroom Training
CareGiver Retention Benefits Kudos CareGiver Newsletter Excel Program	Handouts	1.5
Validation Process	Handouts	.25
Q&A / Evaluations Determining what YOU need 1:1 with Support Staff	Evaluations Literature Package	2.0
Total:		38.5

The actual time spent covering each subject area may vary depending upon the size of the class, the particular training needs of the attendees, and other circumstances. No on-the-job training is provided.

The initial training program is led by Paul Sauer, HII's Chief Executive Officer, and is overseen by Roger Rhodes, our Senior Vice President of Franchise Support, both of whom are instructors in the program. Other instructors include Lora Kelly, Judy Wood, Roger Rhodes, Lisa Bolton, Jodie McCann, Lou Brown, and Nichole Brackett.

The background information on Mr. Sauer, Ms. Tucker, Ms. Kelly, Ms. Wood, Mr. Rhodes, and Ms. Bolton is in Item 2 of this Offering Circular.

Ms. McCann has been a HII National Support Manager since August 2004. She has 20 years experience in long-term care administration, human resources and marketing. She has a B.S. degree in Gerontology and certificates in dementia care from the Alzheimer's Institute and gerontology studies at Denver University. Additionally, she is a published author with the Society of Certified Senior Advisors.

Mr. Brown has been Franchise Support Manager of HII since September 2005. He has a medical sales and marketing background, and he has also owned his own business. He also has experience in emergency room administration and is a Paramedic Academy Graduate.

Ms. Brackett has been HII's Staff Development Coordinator since March 2005. She is a Licensed Practical Nurse and with 13 years experience in long-term care. She has years of experience in Alzheimer's care and Certified Nurse's Assistant program instruction.

Subject matter experts and vendors also participate in the training program to assist franchisees with computer software and other operations related topics.

ITEM 12

TERRITORY

You operate your HOMEWATCH CAREGIVERS Business from a single specific location ("Licensed Location") identified in the Franchise Agreement. You may not relocate your Licensed Location without our prior written approval, which will not be unreasonably withheld. If the Franchise Agreement is signed before a location is selected and approved, then the Franchise Agreement will

designate a geographic area within which you will locate your Licensed Location. Your Licensed Location must be located within your Territory (as defined below).

Subject to our reservation of rights, we may not operate or grant franchises for the operation of HOMEWATCH CAREGIVERS Businesses offering HOMEWATCH CAREGIVERS Services within your Territory, which is a specified area typically identified by zip code(s) or county, city, street, or some natural boundaries; and ordinarily containing a population of approximately 30,000 persons 65 years of age or older. An exhibit to your Franchise Agreement specifies your exact Territory.

You may contact referral sources outside your Territory and Second Territory (if applicable); however, you may not provide HOMEWATCH CAREGIVERS Services to, or provide other goods and services to, persons residing outside of your Territory and Second Territory (if applicable).

You have no option, right of first refusal or similar contractual right to acquire additional HOMEWATCH CAREGIVERS Business franchises in contiguous areas. You may not unilaterally change the boundaries of your Territory. You may operate more than one Licensed Location within your Territory only with prior written approval from us.

A Second Territory may be awarded by us to you if you meet our financial and experience requirements to qualify for a Second Territory. The Second Territory must be contiguous with the initial Territory. A Second Territory may be operated from the Initial Licensed Location and must be purchased simultaneously with the initial Territory.

The continuation of your exclusive rights to your Territory and your Second Territory (if applicable) and your right to operate at the Licensed Location during the term of the Franchise Agreement depends on achievement of the following sales levels ("**Minimum Sales Requirements**"): At the end of the 12th month after your Business opens, you must attain and maintain a minimum of \$12,700 per month in Gross Billings. At the end of the 24th month, you must attain and maintain a minimum of \$18,000 per month in Gross Billings. At the end of the 36th month, you must attain and maintain a minimum of \$300,000 each year in Gross Billings, and your monthly Gross Billings must exceed \$25,000 a month during at least six months each calendar year for the remainder of the term of your Franchise Agreement. The Minimum Sales Requirements apply separately to each Territory if you have more than one. Failure to maintain these minimums may result in a reduction in size of your Territory, loss of any exclusive rights to your Territory, or the termination of your Franchise Agreement.

We retain the rights under the Franchise Agreement, among others: (1) to use, and to license others to use, the Marks and Licensed Methods in connection with the operation of HOMEWATCH CAREGIVERS Businesses at any location other than in your Territory; (2) to use the Marks and Licensed Methods to identify services and products other than those which you sell, for promotional and marketing efforts or related items, and to identify products and services similar to those you will sell, but made available through alternative channels of distribution other than through HOMEWATCH CAREGIVERS Businesses at any location, including within your Territory; (3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to those you will sell, whether in alternative channels of distribution or in connection with the operation of businesses selling care services or related products or services, at any location, which businesses may be the same as, or similar to, or different from HOMEWATCH CAREGIVERS Businesses, on any terms and conditions we deem advisable. We have no present plans to establish other related franchises or company-owned businesses selling or leasing similar products or services under a name or trademark that is different and distinct from HOMEWATCH CAREGIVERS, although, as just stated, we reserve the right to do so.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you the right to use the Mark "HOMEWATCH CAREGIVERS" and our logo in the operation of your Business. You may also use our other current or, if applicable, future Marks, as we may authorize, to identify your Business.

HII has registered the following service marks with the United States Patent and Trademark Office on the Principal Register:

HOMEWATCH and Design	Registration No. 1,378,585, as of January 14, 1986.
HOMEWATCH CAREGIVERS	Registration No. 2,683,038, as of February 4, 2003.
HOMEWATCH AT HOME LIVING ASSISTANCE	Registration No. 2,471,435, as of July 24, 2001.
HOMEWATCH CAREGIVERS QUALITY HOME CARE FOR YOUR LOVED ONES SINCE 1980 and Design	Registration No. 2,853,655, as of June 15, 2004.

We have filed all required affidavits. The "HOMEWATCH and Design" service mark has become "incontestable," and has been renewed.

An application is currently pending with the U.S. Patent and Trademark Office for the service mark "HOMEWATCH" (filed December 23, 2005, Ser. No. 78/780535). We also have pending trademark registrations in other countries.

The Marks are used to identify a HOMEWATCH CAREGIVERS Business. We require that you identify yourself as an independent owner of a Business, however, in the manner as we may designate. You must not use "Homewatch" or any portion of it, or "Caregivers," as part of any business entity name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you), or in any modified form; except with our prior written consent, which consent may be withheld for any reason. You must not use any Mark to identify unauthorized services or products or in any other manner not expressly authorized in writing by us. You must not use our Marks as part of an electronic mail address, or on any sites on the Internet; and you must not register any of the Marks as an Internet domain name. You must modify or discontinue your use of any of the Marks if we require modification or discontinuance, at your own expense. We have registered various domain names that include one of our Marks.

There are no agreements in force that significantly limit our rights to use or license the use of our Marks. There are no presently effective determinations of the United States Patent and Trademark Office ("USPTO"), the Trademark Trial and Appeal Board, the trademark administrator of any state, or court; nor are there any pending infringement, opposition or cancellation proceedings, or material litigation involving any of our Marks.

You are obligated to notify us of any apparent or actual infringement of, or challenge to, your use of any Mark, or any claim by any person of any rights in any Mark. We are not contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition, but it is our policy to do so when, in the opinion of our counsel, your rights require protection. In this case, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to

defend or protect your authorized use of the licensed Marks. You are obligated to fully cooperate with us in any litigation we commence or defend on your behalf. You may not settle any claim without our written consent. We have sole discretion to take any appropriate action. We have the right to control exclusively any litigation, USPTO proceeding or any administrative proceeding arising out of any infringement, challenge or claim relating to any Mark.

You understand that there is always a possibility that there might be one or more businesses, similar to your Business, operating in or near the area(s) where you may do business, using marks similar to ours and with superior rights to such marks as a result of prior use or otherwise. We strongly urge you to research this possibility, using telephone directories, local filings and other means, before signing the Franchise Agreement.

We are aware of the following third party use of the name or Mark "HOMEWATCH," or a name and mark that may be considered confusingly similar: (1) An unrelated party in Amarillo, Texas, is using the name "HOMEWATCH" to sell home security systems in Texas and in Colorado; (2) one party in Brewster, Massachusetts is using the corporate name Homewatch, Inc.; and (3) an unrelated party from England has reserved "Homewatch.com" as a URL. We believe that these third party uses may be infringing on our ownership rights to the "HOMEWATCH" Mark and believe our rights are superior, so as to enable us to prevent these uses; however, any franchisee in and around the geographic area of these third party uses could be materially affected by these infringing uses. Other than the uses above, we have no knowledge of any infringing uses of our Marks that could materially affect the use of them.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights.

No patents are material to the franchise.

Although we have not obtained a copyright registration, we claim a copyright in our Operations Manuals, advertising and marketing materials and other manuals and items we provide to you.

You must operate your HOMEWATCH CAREGIVERS Business in accordance with the standards, methods, policies, and procedures specified in the Operations Manuals, one copy of which we will loan to you for the term of the Franchise Agreement after you complete our initial training program to our satisfaction. The Operations Manuals Tables of Contents are in Item 11.

You must treat the Operations Manuals, any other manuals created for or approved for use in the operation of your HOMEWATCH CAREGIVERS Business, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Operations Manuals will remain our sole property and you must keep them in a secure place at your Licensed Location.

We may from time to time revise the contents of the Operations Manuals, and you must comply with each new or changed standard. You must ensure that the Operations Manuals are kept current at all times. In the event of any dispute as to the contents of the Operations Manuals, the terms of the master copy maintained by us at our office will be controlling.

Confidential Information.

You must not, during or after the term of the Franchise Agreement communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge, or know how concerning the methods of operation of a HOMEWATCH CAREGIVERS Business that is communicated to you, or of which you may be apprised by virtue of your operation of the Business under the terms of the Franchise Agreement. You may divulge this confidential information only to those of your employees who must have access to it in order to operate your HOMEWATCH CAREGIVERS Business. All of your employees with access to any of our confidential information must sign our Nondisclosure and Noncompetition Agreement attached to this Offering Circular as Exhibit C. Any and all information, knowledge, know how, techniques, and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATIONS OF THE FRANCHISE BUSINESS

Under the terms of the Franchise Agreement, we do not require you (or if you are a business entity, your officers, directors, shareholders, limited liability company managers or members, and/or partners) to participate personally in the direct operation of your HOMEWATCH CAREGIVERS Business, although we recommend that you do so. If you (or if you are a business entity, your officers, directors, shareholders, limited liability company managers or members, and/or partners) do not personally supervise the day-to-day operation of your Business, you must designate a Principal Operator (see Item 11) to be responsible for the direct on-premises supervision of your Business. You, or, if applicable, your Principal Operator, must complete the initial training program. You will remain responsible for ensuring compliance with all terms and conditions of the Franchise Agreement even if you are not the Principal Operator of the Business. You will provide us with a list of all management personnel and keep the list updated to reflect changes in personnel. These persons will be required to sign a Nondisclosure and Noncompetition Agreement attached to this Offering Circular as Exhibit C before they can begin working for you.

If you are a business entity with a designated Principal Operator, we do not require that your Principal Operator own an equity interest in the entity. You and your Principal Operator and each of your management personnel, officers, directors, limited liability company managers or members, or partners employees (as applicable) with access to the Operations Manuals or any other proprietary information, (and, if you are an individual, your immediate family members) must execute our standard Nondisclosure and Noncompetition Agreement, copies of which are attached to this Offering Circular as Exhibit C. We make no recommendation, nor do we impose a contractual obligation, that you enter into an employment agreement with your manager or employees. We do, however, obligate you to enter into written agreements with any independent contractors with whom you deal, if any, to provide services on your behalf.

You must run background checks, in accordance with our specifications, on all of your employees and independent contractors before hiring them, and annually thereafter.

You must have a live person answering telephone calls from your Clients and prospective Clients during regular business hours. At all other times, you must have message recording capability. All persons answering telephone calls to your Business, and the messages on your answering machine or

service, must begin by saying "Homewatch Caregivers," unless otherwise instructed by HII. The HOMEWATCH CAREGIVERS Services must be offered on a full-time basis. This business requires one person to be available on-call 24 hours per day to return urgent telephone messages after hours and on weekends through the use of voice messaging, pager, answering service, cell phone, or call forwarding capability. Persons returning telephone messages must inform the person answering the call that they are calling on behalf of "Homewatch Caregivers," unless otherwise instructed by HII.

Within 60 days of beginning operation of your Business, and at all times thereafter, you must employ a person dedicated solely to marketing activities for a minimum of 24 hours per week.

If you are a business entity, each of your officers, directors, shareholders, limited liability company managers and members, and/or partners (as applicable) may be required to sign an agreement (Exhibit II to the Franchise Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT GOODS AND SERVICES YOU MAY SELL

You are restricted from doing business of any kind that involves the unauthorized use of our Marks or Licensed Methods. You are prohibited from operating or engaging in any other type of business or profession from your Licensed Location, unless we first approve in writing, which approval can be withheld for any reason. You are obligated to use only the equipment, products, services, and supplies that comply with our standards and specifications and which are acquired from approved suppliers, as is more fully set forth in Item 8 of this Offering Circular. You will offer for sale and sell only those products and services we authorize. You must not offer for sale or sell at the Licensed Location any products or services not previously authorized by us, but we will not unreasonably withhold our approval of products or services proposed by you. We have the right to test new types of products and services and to change types of authorized products and services periodically; and there are no limits on our right to do so. You must comply with all licensing, bonding or other regulations required by any applicable state or local authorities regarding any of the services you provide. These requirements may restrict the services offered by you or limit the customers or clients to whom you may offer your services. The services to be offered by you through your HOMEWATCH CAREGIVERS Business are set forth in Exhibit III of the Franchise Agreement.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 1.2	10 years
b. Renewal or extension of the term	Section 11.1	Two additional terms of 10 years

Provision	Section in Franchise Agreement	Summary
c. Requirements for you to renew or extend	Sections 11.1 and 11.2	Notice, compliance with Franchise Agreement, pay renewal fee, execute new Franchise Agreement, execute a general release (except if prohibited by law), and others
d. Termination by you	Section 8.5	Only if we are in default and we fail to cure within 60 days of written notice
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Sections 8.1, 8.2, 8.3 and 8.4	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined-defaults which you can cure	Sections 8.2 and 8.3	30 days notice of breach of Franchise Agreement; except 10 days' notice for misuse of Marks, monetary defaults, failure to timely provide Royalty Reports, or a health or safety problem, and 15 days' notice if you fail to meet minimum sales requirements, or you lose your insurance, bonding or right to occupy your Licensed Location, or uncured defaults in other agreements.
h. "Cause" defined-defaults which cannot be cured	Section 8.1	Bankruptcy ¹ , insolvency, appointment of receiver, assignment for benefit of creditors, abandonment, unauthorized disclosure, unsatisfied judgments, foreclosure, levy, criminal conviction, repeated non-compliance, unauthorized transfer, becoming subject to U.S. Executive Order 13224
i. Your obligation on termination/non-renewal	Section 8.7	Pay outstanding amounts due, deidentification, return of confidential information, signs and telephone numbers, others (see also item "r" below)
j. Assignment of contract by us	Section 9.7	We can assign to any party we deem capable.
k. "Transfer" by you - definition	Sections 9.1 and 9.5	Includes transfer of assets, interest in Franchise Agreement, or all or a portion of the business entity that owns your HOMEWATCH CAREGIVERS Business
l. Our approval of transfer by you	Sections 9.1, 9.3, 9.4 and 9.5	We have the right to approve all transfers
m. Conditions for our approval of transfer	Sections 9.3, 9.5 and 9.6	Notice, all amounts due are paid in full, transferee completes training, transfer fee paid, execution of current form of franchise agreement, general release signed (except if prohibited by law) others (see also item "r" below)
n. Our right of first refusal to acquire your business	Section 9.3	We can match any offer
o. Our option to purchase your business	Section 8.6	We can buy your HOMEWATCH CAREGIVERS Business on termination or expiration of the Franchise Agreement

Provision	Section in Franchise Agreement	Summary
p. Your death or disability	Section 9.6	Franchise must be assigned to successor within 120 days
q. Non-competition covenants during the term of the franchise	Section 10.1	Prohibits owning, operating or performing services for a competing business
r. Non-competition covenants after the franchise is terminated or expires	Section 10.2	Prohibited for 2 years owning or operating a competing business located or operating within a 25 mile radius of your Licensed Location or any other HOMEWATCH CAREGIVERS Business
s. Modification of the agreement	Section 14.1	Must be in writing signed by both parties, but Operations Manuals subject to change unilaterally by us
t. Integration/merger clause	Section 14.8	Only terms of Franchise Agreement are binding (subject to state law); any other promises may not be enforced
u. Dispute resolution by arbitration or mediation	Section 12.1	Except for certain claims, all disputes must be arbitrated in Denver, Colorado (subject to modification by state law)
v. Choice of forum	Sections 12.1 and 12.2	Colorado (subject to modification by state law).
w. Choice of law	Section 13	Federal Arbitration Act and Colorado law (subject to modification by state law)

¹ - This provision may not be enforceable under federal bankruptcy law.

These states have statutes that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Ch. 739, Sections 42-133e to 42-133h], DELAWARE [Title 6, Ch. 25, Code Sections 2551-2556], HAWAII [Title 26, Rev. Stat. Section 482E-6], IDAHO [Code Section 29-10], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44], INDIANA [Code Section 23-2-2.7-1 to 7], IOWA [Title XX, Code Sections 523H.1-523H.17], MARYLAND [MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2004 Repl. Vol.)], MICHIGAN [1979 Comp. Laws, Section 445.1527], MINNESOTA [1996 Stat. Section 80C.14], MISSISSIPPI [Code Sections 75-24-51 to 75-24-63], MISSOURI [Rev. Stat. Sections 407.400-407.410, 407.413, 407.420], NEBRASKA [Rev. Stat. Sections 87-401 to 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 to 56:10-12], SOUTH DAKOTA [Codif. L. Section 37-5A-51], VIRGINIA [Code Sections 13.1-557-574], WASHINGTON [Rev. Code Sections 19.100.180, 19.100.190], WISCONSIN [Stat. Sections 135.01-135.07], DISTRICT OF COLUMBIA [Code Sections 29-1201 to 29-1208], PUERTO RICO [Ann. Laws, Title 10, Ch. 14, Sections 278-278d], VIRGIN ISLANDS [Code Ann., Title 12A, Ch. 2, Subch. III, Sections 130-139]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

ITEM 18

PUBLIC FIGURES

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

You are not prohibited by the Franchise Agreement from using the name of a public figure or celebrity in your promotional efforts or advertising; however, all advertising requires our approval.

ITEM 19

EARNINGS CLAIMS

CAUTION

YOUR ACTUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE FIGURES PRESENTED. WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN THE REVENUES OR OTHER OPERATIONAL RESULTS SHOWN IN THIS ITEM 19.

The information in this Item 19 has not been prepared in accordance with the statement on Standards for Accountant's Services on Prospective Financial Information. The information contained in this Item 19 is not intended to express or infer an estimate, projection or forecast of income, sales, profits or earnings to be obtained with any particular franchise. The information presented is limited specifically to information about the revenues and certain operational results achieved by some of HII's franchisees. HII does not represent the length of time it will take you to sell sufficient services to realize any gross revenues, or whether you will be able to sell the services you offer.

CAUTION

Some outlets have achieved the revenues and other operational results shown. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

AVERAGE GROSS REVENUES TABLE

Category	Average Gross Revenues¹
2005 Gross Revenues, Top 10 Franchises During 2005 ²	\$1,473,235
2005 Gross Revenues, All Franchises Open More Than 3 Years as of December 31, 2005 ^{3,4}	679,377
Annual Gross Revenues, Franchises that Completed First Year in Business in 2005 ^{3,5}	277,280
Gross Revenues First Six Months in Business ^{3,6}	112,469
Gross Revenues, First Three Months Business ^{3,7}	42,811

Notes to Average Gross Revenues Table:

¹ – Average among the franchises included in each category. “Gross Revenues” are the total revenues of the HOMEWATCH CAREGIVERS Businesses from all sources. All amounts are rounded to the nearest Dollar.

² – Two of the 10 franchises in this category (20%) achieved at least the average revenue shown.

³ – The franchises achieving the highest and lowest Gross Revenues in these categories were not included in computing the average Gross Revenues for these categories.

⁴ – Seven of the 17 franchises in this category (41%), after removing the highest and lowest revenue franchises, achieved at least the average revenue shown.

⁵ – Six of the 13 franchises in this category (46%), after removing the highest and lowest revenue franchises, achieved at least the average revenue shown.

⁶ – Includes only franchises that completed their first year in business in 2005. Five of the 13 franchises in this category (38%), after removing the highest and lowest revenue franchises, achieved at least the average revenue shown.

⁷ – Includes only franchises that completed their first year in business in 2005. Four of the 13 franchises in this category (31%), after removing the highest and lowest revenue franchises, achieved at least the average revenue shown.

* * * * *

**EARNINGS CAPABILITY - HOMEWATCH CAREGIVERS BUSINESSES
THREE-YEAR COMPARISON OF ACTUAL OPERATING RESULTS**

The tables below compare the operating results for three existing HOMEWATCH CAREGIVERS Businesses, denoted as Unit A, Unit B, and Unit C, during the fiscal years ending December 31, 2003, 2004 and 2005. Unit A is a Business owned and operated by HII, and Units B and C are owned and operated by franchisees with no common ownership with HII.

Units A and B each have been operating for over 5 years. Unit C completed its third year in business in 2005. HII does not believe that the locations of these franchises are significant. Further, HII believes that location by itself is not a significant factor for any HOMEWATCH CAREGIVERS Businesses, but the number of senior citizens in a Territory will influence the operating results of the Business.

Units A and B use the accrual basis of accounting. Unit C uses the cash method. The financial information for all three Units is unaudited. All Dollar amounts are rounded to the nearest Dollar. The data in the tables was provided by the franchisees that operate each Business, and HII did not undertake any investigation to verify the information. However, the Gross Revenue figures for each Unit were used to determine royalties owed for fiscal years 2003, 2004 and 2005. The Gross Revenues and Expenses of each Unit are the actual results for each period reported. Pre-Tax Income and Percentage Margin were calculated from these actual results.

Unit A had revenues and expenses from other than the provision of the Care Services. However, the figures in the table for Unit A include only actual revenues from the providing of Care Services. The expense figures in the table for Unit A relate solely to the provision of Care Services, except that telephone, postage and copy machine expenses and some personnel charges were allocated 50% to the Care Services portion of the business and 50% to other portions of the business based on the franchisee's estimate that approximately half of the total cost of these items were used in relation to the provision of Care Services.

HOMEWATCH CAREGIVERS BUSINESS - UNIT A

ACTUAL:	Gross Revenues	Expenses (See Notes Below)	Pre-tax Income	Margin %	Average # of Clients Served a Week
2003 ¹	\$ 823,945	\$ 707,080	\$ 116,865	14.2	43
2004 ²	\$ 1,069,200	\$ 937,700	\$ 131,500	12.3	46
2005 ²	\$ 1,017,574	\$ 875,281	\$ 142,293	14.0	53

¹ During 2003, Unit A had a CareGiver staff of approximately 65 workers. Owner salary is included in expenses. Revenues and expenses are for the provision of Care Services only. Solely for the purpose of inclusion in this chart, a "royalty" of 4% has been included as an expense, although it was waived by HII. Unit A had a marketing person for approximately six months during 2003.

² During 2004 and 2005, Unit A had also CareGiver staff of approximately 65 workers. Owner salary or distributions are included in expenses as well as some reimbursed expenses. Unit A had a sales person employed for approximately 6 months during 2004 and 2005. A royalty of 4% was actually paid to HII as an expense.

HOMEWATCH CAREGIVERS BUSINESS - UNIT B

ACTUAL:	Gross Revenues	Expenses (See Notes Below)	Pre-tax Income	Margin %	Average # of Clients Served a Week
2003 ¹	\$ 1,204,738	\$ 1,104,738	\$ 100,106	8.3	76
2004 ¹	\$ 1,403,671	\$ 1,240,610	\$ 163,061	11.6	79
2005 ¹	\$ 1,418,420	\$ 1,276,746	\$ 141,674	10.0	82

¹ During 2003, 2004 and 2005, Unit B had a CareGiver staff of approximately 100 workers. Owner salary or draw is included in expenses. Royalties are also included in expenses. A full time marketer was employed during all three years.

HOMEWATCH CAREGIVERS BUSINESS - UNIT C

ACTUAL:	Gross Revenues	Expenses (See Notes Below)	Pre-tax Income	Margin %	Average # of Clients Served a Week
2003 ¹	\$ 189,112	\$ 225,135	(\$ 36,023)	NM	16
2004 ¹	\$ 594,682	\$ 551,595	\$ 43,087	7.2	46
2005 ¹	\$ 1,399,144	\$ 1,300,457	\$ 98,687	7.1	96

¹ Unit C began operating in 2002. During 2005, Unit C had a CareGiver staff of approximately 120 workers. Owner salary or draw is included in expenses. Royalties are also included in expenses. A full time marketer was employed during 2005.

CAUTION - RESULTS MAY VARY SIGNIFICANTLY FOR OTHER HOMEWATCH CAREGIVERS BUSINESSES. EXPENSE ITEMS MAY VARY SIGNIFICANTLY AMONG HOMEWATCH CAREGIVERS BUSINESSES. TYPICAL EXPENSE ITEMS ARE DESCRIBED IN MORE DETAIL BELOW.

DESCRIPTION OF TYPICAL EXPENSES

The following is a detailed description of expenses that a typical HOMEWATCH CAREGIVERS Business may incur after approximately 18 months in operation.

<u>Item:</u>	<u>Explanation</u>
Automobile Expense	
Mileage Reimbursement	\$200 – \$300 monthly automobile allowance for manager.
Bank Service Charges	
Bank	Account Service Charge of \$35 per month.
Bad Debts	Average of approx. less than 0.5% of Gross Sales.
Dues and Subscriptions	\$50 per month.
Insurance	
General Liability	Start up premium payment of approximately \$1,400 year. Premium increases as payroll increases.
Workers' Comp Insurance	Based on payroll, approximately 6.2% of Gross Sales. CareGivers are employees.
Marketing	
Advertising	Account development in first year equals 12% to 16% of Gross Revenues (includes help wanted advertisements for workers). By 3rd year, may decrease to 4% to 5%.
Yellow Pages	\$500 to \$600 per month (will vary by market and advertisement size).
Direct Marketing	Employment of full-time marketer at salary of \$35,000 to \$40,000 per year, plus incentives and automobile allowance.
Meals and Entertainment	Approximately \$50 to \$60 per month.
Office Supplies	Approximately \$150 per month.
Personnel Costs	Typically, two people plus owner(s): A scheduler (approximate salary \$34,000 per year, full-time) and a receptionist (approximate salary of \$34,000 per year, full-time); and CareGivers as needed.
Payroll	Caregivers' pay is typically 48% to 53% of the total overhead.

<u>Item:</u>	<u>Explanation</u>
Payroll Service Fee	Approximately 1.5% of payroll.
Security Background Check	Approximately \$10 per new employee.
Caregiver Training	Approximately \$10 per person.
Postage and Delivery	Approximately \$60 per month.
Printing Non-Marketing	Approximately \$50 per month.
Professional Services - Bookkeeper	Approximately \$100 per month.
Rent	Typically, \$600 to \$800 per month, but varies based on location and size of space.
Royalties	5% of Gross Billings per month.
Tax Miscellaneous	Approximately \$50 per month.
Telephone	
Local Land Line Service	\$150 per month for three lines.
Cellular Service	\$50 per month.
Miscellaneous Expenses	Approximately \$100 per month.

Note: The expenses and amounts listed in the table above are based on the operations the HOMEWATCH CAREGIVERS Businesses owned by entities controlled by HII's Chief Executive Officer, Paul Sauer and other officers and/or directors of HII. The expense amounts, including estimated salaries of employees of a HOMEWATCH CAREGIVERS Business, are based on the fees charged, and wages/salaries paid, in the Denver, Colorado metropolitan area. These amounts may vary widely in the area in which your HOMEWATCH CAREGIVERS Business is located.

YOUR ACTUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE FIGURES PRESENTED. WE DO NOT GUARANTEE THAT YOUR BUSINESS WILL RETURN ANY PROFIT AT ALL.

THE SALES FIGURES FOR UNIT A AND UNIT B ABOVE ARE AVERAGES OF HISTORICAL DATA OF SPECIFIC BUSINESSES. THEY SHOULD NOT BE CONSIDERED AS POTENTIAL SALES THAT MAY BE REALIZED BY YOU. WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ACHIEVE THESE SALES LEVELS. ACTUAL RESULTS VARY FROM BUSINESS TO BUSINESS AND WE CANNOT ESTIMATE THE RESULTS OF ANY PARTICULAR FRANCHISE.

Each HII franchise is managed differently. As such, the results, and in particular, the actual net income of each franchise, will vary on a variety of factors, including individual or business entity tax situations and advice from tax consultants.

Your ability to achieve any level of net income will depend upon factors not within our control, including the occurrence of certain start-up and operating expenses and the amount of those expenses, and your level of expertise.

With the possible exception of the categories in the Average Gross Revenues Table for franchises in their first year of operation, **A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED IN THIS EXHIBIT.**

EXCEPT FOR THE INFORMATION IN THIS ITEM 19, NO REPRESENTATIONS OR STATEMENTS OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL SALES, COSTS, INCOME OR PROFITS ARE MADE TO FRANCHISEES. WE DO NOT FURNISH OR MAKE, OR AUTHORIZE OUR SALES PERSONNEL TO FURNISH OR MAKE, ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A FRANCHISE OR PROSPECTS OR CHANCES OF SUCCESS THAT ANY FRANCHISEE CAN EXPECT OR THAT PRESENT OR PAST FRANCHISEES HAVE HAD, OTHER THAN AS SET FORTH IN THIS ITEM. WE DISCLAIM AND WILL NOT BE BOUND BY ANY UNAUTHORIZED REPRESENTATIONS.

If you have any questions regarding the figures and assumptions contained in this Item 19, or you desire any additional information or documents to verify or supplement the information contained in this Item 19, please write or call HII and substantiating materials pertaining to this data will be made available for inspection at our headquarters and will be provided upon request; provided, however, that the information you request does not require the disclosure of the identity of any business owner.

ITEM 20

LIST OF OUTLETS

**FRANCHISED BUSINESS STATUS SUMMARY
FOR YEARS 2003/2004/2005⁽¹⁾**

State or Country	Transfers 03/04/05	Cancelled or Terminated By Franchisor 03/04/05	Not Renewed By Franchisor 03/04/05	Reacquired By Franchisor 03/04/05	Left the System/ Other 03/04/05	Total from Left Columns⁽²⁾ 03/04/05	Franchisees Operating at Year End⁽¹⁾ 03/04/05
Arizona	0/1/0	0/0/0	0/0/0	0/0/0	0/0/3	0/1/3	3/5/2
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
California	0/0/0	0/1/0	0/0/0	0/0/0	0/0/1	0/1/1	6/6/15
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	8/8/8
Florida	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/2
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/4
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/4
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/1
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/2
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1

State or Country	Transfers 03/04/05	Cancelled or Terminated By Franchisor 03/04/05	Not Renewed By Franchisor 03/04/05	Reacquired By Franchisor 03/04/05	Left the System/ Other 03/04/05	Total from Left Columns ⁽²⁾ 03/04/05	Franchisees Operating at Year End ⁽¹⁾ 03/04/05
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Massachusetts	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	3/3/5
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/3/3
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	0/0/0
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/4
New York	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	1/2/1
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
North Dakota	0/0/1 ⁽³⁾	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	1/1/0
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/3
Oklahoma	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	2/3/3
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Texas	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	3/3/3
Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Washington	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/5/6
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/1/2
Canada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/2/2
Australia ⁽⁴⁾	0/0/1 ⁽⁵⁾	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	1/1/0
New Zealand ⁽⁴⁾	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/2
Totals	0/2/2	0/1/0	0/0/0	0/1/0	4/0/6	4/4/8	49/63/92

- (1) All numbers are as of December 31st for each year. We also have two franchisees offering Pet/Housesitting services under the HOMEWATCH Mark in Colorado and Idaho, however these locations are not required to be disclosed in this item.
- (2) The numbers in the "Total" column may exceed the number of businesses affected because several events may have affected the same HOMEWATCH CAREGIVERS Business. For example, the same business may have had multiple owners.
- (3) This franchise was transferred to Home Care Services of ND, Inc., a company owned by an officer and directors of HII. See the table below.
- (4) Master franchise rights were sold in 2002 for Australia and New Zealand.
- (5) This franchise was transferred to Homewatch CareGivers of Australia, a company owned by an officer and directors of HII. See the table below.

**STATUS OF COMPANY OWNED BUSINESSES
FOR YEARS 2003/2004/2005⁽¹⁾**

STATE	BUSINESSES CLOSED DURING YEAR 03/04/05	BUSINESSES OPENED DURING YEAR 03/04/05	TOTAL BUSINESSES OPERATING AT YEAR END 03/04/05
Colorado ⁽²⁾	0/0/0	0/0/0	3/3/3
North Dakota ⁽³⁾	0/0/0	0/0/0	0/0/1 ⁽³⁾
Oregon ⁽⁴⁾	0/0/0	0/0/0	3/3/3
Australia ⁽⁵⁾	0/0/0	0/0/0	0/0/1 ⁽⁵⁾
Total	0/0/0	0/0/0	6/6/8

- (1) All numbers are as of December 31 for each year.
- (2) During 2003, 2004, and 2005, all three Businesses were owned and operated by HII.
- (3) This Business is owned and operated by Home Care Services of ND, Inc., a corporation owned by Paul Sauer, HII's Chief Executive Officer and Director, and Beatrice Sauer, an HII Director (see Item 2). This Business was purchased by Home Care Services of ND, Inc. in 2005 from another franchisee.
- (4) This Business is owned and operated by Homewatch CareGivers of the Greater Portland Area, Inc., a corporation owned by Paul Sauer, Leann Reynolds, HII's President and Director (see Item 2), and Carol O'Cell, who is unaffiliated with HII.
- (5) This Business is owned and operated by Homewatch CareGivers of Australia, a corporation owned by Paul Sauer and Beatrice Sauer. This Business was purchased by Homewatch CareGivers of Australia in 2005 from another franchisee.

PROJECTED OPENINGS
For Fiscal Year 2006

STATE	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPENED	PROJECTED FRANCHISED NEW BUSINESSES IN THE 2006 FISCAL YEAR
Arizona	0	1
California	1	6
Florida	0	2
Georgia	0	2
Illinois	0	4
Indiana	0	1
Maine	0	1
Michigan	2	2
Missouri	0	2
Massachusetts	0	2
Nevada	0	1
New Jersey	0	4
New York	0	2
North Carolina	0	1
Connecticut	0	3
Ohio	0	3
Oregon	0	2
Pennsylvania	1	3
Tennessee	0	1
Texas	1	4
Virginia	0	2
International ⁽¹⁾	1	4
TOTALS	6	53

No company-owned Businesses are projected to be opened in 2006.

- ⁽¹⁾ In addition to the master franchise rights mentioned above in this Item 20, master franchise rights for Japan were sold in 2005, but no Businesses began operating in Japan during 2005.

A list of the names of all franchisees offering HOMEWATCH CAREGIVERS Services and the addresses and telephone numbers of their HOMEWATCH CAREGIVERS Business are listed as Exhibit D to this Offering Circular. A list of the name and last known home address and telephone number of every franchisee offering HOMEWATCH CAREGIVERS Services that has had a Business 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 that has not communicated with us within 10 weeks of the date of this Offering Circular is listed on Exhibit E to this Offering Circular.

ITEM 21

FINANCIAL STATEMENTS

Attached to the Offering Circular as Exhibit F are our audited Financial Statements for the fiscal years ended December 31, 2005, 2004, and 2003.

ITEM 22

CONTRACTS

Attached to this Offering Circular are the following contracts and agreements:

Exhibit B	Franchise Agreement
Exhibit C	Nondisclosure and Noncompetition Agreement
Exhibit I	Disclosure Acknowledgement Statement

ITEM 23

RECEIPTS

The last two pages of this Offering Circular are receipt pages. Please sign and date each of them as of the date you received this Offering Circular, detach the second receipt page, and promptly return it to us as specified on that page.