



NITELITES FRANCHISE SYSTEMS, INC.

6107 Market Avenue
Franklin, Ohio 45005
(513) 424-5510

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

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT.

IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

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

FEDERAL TRADE COMMISSION
Washington, D.C. 20580

Date of Issuance: April 19, 2006



FRANCHISE OFFERING CIRCULAR

NITELITES FRANCHISE SYSTEMS, INC.

6107 Market Avenue
Franklin, Ohio 45005
(513) 424-5510
www.NiteLites.com

As a franchisee, you will operate a business offering superior-quality lighting products and services, and the design and installation of architectural and landscaping illumination products to upscale homeowners and commercial enterprises.

The initial franchise fee for a start-up franchise ranges from \$50,000 to \$115,000 based upon the population of the Protected Territory. The initial franchise fee for a distributorship converting to a franchise ("conversion franchise") is waived. The estimated initial investment ranges from \$128,000 to \$230,050 for a start-up franchisee and \$4,000 to \$89,800 for a conversion franchisee.

RISK FACTORS:

THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISAGREEMENTS BE LITIGATED IN OHIO. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN OHIO THAN IN YOUR HOME STATE. YOU SHOULD REVIEW THE STATE SPECIFIC ADDENDUM ATTACHED TO THIS OFFERING CIRCULAR AS EXHIBIT K FOR STATE SPECIFIC PROVISIONS.

THE FRANCHISE AGREEMENT STATES THAT THE LAWS OF THE STATE OF OHIO GOVERN THE AGREEMENT, AND THESE LAWS MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. SOME STATE FRANCHISE LAWS PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID OR SUPERSEDED. YOU MIGHT WANT TO INVESTIGATE WHETHER YOU ARE PROTECTED BY A STATE FRANCHISE LAW. YOU SHOULD REVIEW THE STATE SPECIFIC ADDENDUM ATTACHED TO THIS OFFERING CIRCULAR AS EXHIBIT K FOR STATE SPECIFIC PROVISIONS.

YOUR BUSINESS WILL LIKELY BE SEASONAL AND AS A RESULT, YOU WILL EXPERIENCE PERIODS OF INACTIVITY.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing NITELITES FRANCHISE SYSTEMS, INC. with other franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

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

The Effective Date of this offering circular is April 19, 2006 or as listed in Exhibit K for your state.

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES	1
2. BUSINESS EXPERIENCE	3
3. LITIGATION	3
4. BANKRUPTCY	3
5. INITIAL FRANCHISE FEE	3
6. OTHER FEES	5
7. INITIAL INVESTMENT	7
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
9. FRANCHISEE'S OBLIGATIONS	14
10. FINANCING	15
11. FRANCHISOR'S OBLIGATIONS	15
12. TERRITORY	22
13. TRADEMARKS	23
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	28
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	28
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	29
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	29
18. PUBLIC FIGURES	34
19. EARNINGS CLAIM	34
20. LIST OF OUTLETS	34
21. FINANCIAL STATEMENTS	35
22. CONTRACTS	35
23. RECEIPT	LAST PAGE

EXHIBITS

- A. LIST OF STATE ADMINISTRATORS
- B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- C. FRANCHISE AGREEMENT
- D. TABLE OF CONTENTS OF CONFIDENTIAL OPERATING MANUAL
- E. FINANCIAL STATEMENTS
- F. LIST OF CURRENT FRANCHISEES
- G. LIST OF TERMINATED FRANCHISEES
- H. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- I. INITIAL TRAINING AGENDA
- J. INITIAL INVENTORY PACKAGE
- K. STATE ADDENDA

ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this Offering Circular, the words "we", "us" or "our" mean the franchisor, NITELITES FRANCHISE SYSTEMS, INC. The word "you" means the person to whom we award the franchise. If you are a corporation, partnership, limited liability company, business trust or other business entity, certain provisions of this Offering Circular also apply to your owners and will be noted. We were incorporated in the State of Ohio on January 21, 2004. Our principal business address is 6107 Market Avenue, Franklin, Ohio 45005. We do business only under our corporate name and the name NITELITES.

Our Business Activities

Our business activities include the grant of franchises to qualified persons or entities. We offer a franchise grant for a business which provides superior-quality lighting products and services, and designs and installs architectural and landscaping illumination products for upscale homeowners and commercial enterprises in conjunction with the service mark "NITELITES" and certain associated logos referred to as the "Marks."¹ We refer to these businesses as "NITELITES Businesses." We refer to the NITELITES Business you will operate as the "Franchised Business." You may apply for a franchise to utilize our System for a Franchised Business you plan to develop or (if you are an existing distributor of our Affiliate, NL Manufacturing and Distribution System, Inc.) to convert your distributorship to a Franchised Business. We refer to the conversion of an existing distributorship as a "conversion franchise" and the conversion of a distributor to a franchisee as a "conversion franchisee." If you are an existing NITELITES distributor and meet our other qualifications for conversion, and we agree to offer you a conversion franchise, we will waive your initial franchise fee. See ITEM 5 of this Offering Circular and the Conversion Addendum attached as Exhibit C to the Franchise Agreement.

A Franchised Business typically may be operated from a home office or similar location, which will accommodate storage of a small inventory of NITELITES Products and Equipment. You will operate the Franchised Business in accordance with our standards, methods, procedures and specifications, which we refer to as our "System," which is more particularly described in our Franchise Agreement, attached as Exhibit C to this Offering Circular.

We have offered franchises since August 26, 2004. As described in ITEM 5 of this Offering Circular, we furnish you and other franchisees with a Start-up Kit of supplies and other items you will need to operate the Franchised Business. As described in ITEM 8 of this Offering Circular, we also operate a national call center service, which coordinates appointment setting for you and other franchisees. Except for selling franchises, supporting franchisees, supplying franchisees with a Start-up Kit of supplies and operating the national call center, we are not engaged in any other line of business. We do not own or operate a business of the type being franchised.

¹ Capitalized terms, not otherwise defined, have the same meaning as in our Franchise Agreement attached as Exhibit C to this Offering Circular.

Our Predecessors and Affiliate

We have no predecessors. We have 1 affiliate (the "Affiliate"), NL Manufacturing and Distribution Systems, Inc. We are owned by the same individuals as our Affiliate. We have no other Affiliates. No Affiliate has previously offered franchises in this or any other line of business. No Affiliate has ever conducted a business of the type being franchised.

Our Affiliate, NL Manufacturing and Distribution System, Inc. ("NLMDs"), is an Ohio corporation, which was incorporated on November 5, 2002 and is located at 6107 Market Avenue, Franklin, Ohio 45005. NLMDs developed a line of superior-quality exterior illumination products and equipment, which feature the NITELITES service mark and are referred to as "NITELITES Products and Equipment." NLMDs supplies NITELITES franchisees with NITELITES Products and Equipment. NLMDs has never owned or operated a business of the type being franchised. NLMDs does not and has not previously offered franchises in this or any other line of business. However, since June 2002, NLMDs has offered distributorships and sells the majority of its NITELITES Products and Equipment through independent distributors. As of December 31, 2005, there were 2 distributors selling NITELITES Products and Equipment, and 9 distributors have converted their distributorships to a Franchised Business.

NLMDs may sell distributorships that offer NITELITES Products and Equipment. The distributorship offered by NLMDs differs from the franchised business we offer in that NLMDs does not offer any assistance to their distributors, nor do they require the distributors to adhere to any system.

General Description of the Market and Competition

Our concept is marketed to both private and commercial customers. National, regional and local economic conditions, population density and general traffic conditions affect this industry and are generally difficult to predict. As a franchisee, you will likely face competition from other national and local businesses, distributors, and individuals performing similar services. You may also encounter competition from other NITELITES Businesses operated by other franchisees. In addition, as you expand your Franchised Business, you will face significant competition in this industry for qualified personnel.

Industry Specific Regulations

You must comply with all laws, rules and regulations governing the operation of the Franchised Business and obtain all permits and licenses necessary to operate the Franchised Business. Ohio and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Franchised Business, including those which: (a) set standards pertaining to employee health and safety; and (b) set standards and requirements for fire safety and general emergency preparedness. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance, as well as seek the advice of your attorney.

Agents for Service of Process

Our agents for service of process are disclosed in Exhibit B to this Offering Circular.

ITEM 2. BUSINESS EXPERIENCE

President and CEO: Thomas A. Frederick

Mr. Frederick serves as President and CEO and has done so since our incorporation on January 21, 2004. In addition, since November 2002, Mr. Frederick has served as President and CEO of our Affiliate, NLMDS. From October 2001 through October 2005, he was CEO of Prescott Ellen, Inc., a company located in Franklin, Ohio, that offered marketing, forms management and promotion services. Previously, from March 1998 until October 2001, Mr. Frederick was Vice President of Proforma Business Communication Systems, Inc., a company involved in marketing, forms management and promotions, located in Springboro, Ohio.

Director of Marketing: Amanda Lewis

Ms. Lewis has served as our Director of Marketing since October 2005. From October 2001 to October 2005, she served as Vice President of Marketing, Web Development, and Internet Strategies at Prescott Ellen, Inc. Prescott Ellen, which, until October 2005, was an affiliate of NiteLites and shared office space with us, offered marketing, forms management and promotion services. In October 2005, it sold all of its assets to a Michigan company named Prograde/Horak, LLC. While at Prescott Ellen, Ms. Lewis consulted heavily with NiteLites and NLMDS to develop the marketing and Internet strategies that we use.

Director of Operations: Josh Johnston

Mr. Johnston has served as our Director of Operations since our incorporation. As Director of Operations, Mr. Johnston is responsible for training all franchisees and for supporting the daily operation of their NITELITES franchises. Since June 1998, Mr. Johnston has also served as the President of Nitelights, Inc., an Ohio corporation, that operates a business substantially similar to the Franchised Business in Myrtle Beach, South Carolina.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Offering Circular.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FRANCHISE FEE

You must pay us a Franchise Fee based upon the population residing within your Protected Territory. See Franchise Fee schedule chart below for the range of the initial Franchise Fee for a start-up franchise. You must pay us the Franchise Fee in a lump sum when you sign the Franchise Agreement.

Protected Territory Population	Franchise Fee
Less than 500,000	\$50,000
500,000 to 1,000,000	\$65,000
1,000,001 to 2,000,000	\$75,000
2,000,001 to 3,000,000	\$85,000
3,000,001 to 4,000,000	\$95,000
4,000,001 to 5,000,000	\$105,000
Over 5,000,000	\$115,000

If you are a NITELITES distributor, the initial Franchise Fee is waived. Except as stated above, the Franchise Fee is uniform to all franchisees.

Refunds

The Franchise Fee is not refundable under any circumstances except if we, in our discretion, determine that you are unable to satisfactorily complete the training program described in ITEM 11 of this Offering Circular; then, we may terminate the Franchise Agreement and, if so, we will return 50% of the Franchise Fee to you.

Initial Inventory Package Fee

Before beginning operation of the Franchised Business, you will need to purchase from us, our Affiliate, or a supplier designated by us, and install at the Franchise Premises an initial inventory of NITELITES Products and Equipment, which we refer to as the "Initial Inventory Package." You must pay us for the Initial Inventory Package when you attend the initial training program. The Initial Inventory Package, which is itemized on Exhibit J to this offering circular, includes transformers, fixtures, bulbs, lighting systems and other items, which you will use for sales demonstration and display purposes. Your cost for the Initial Inventory Package will be about \$13,000. The cost of the Initial Inventory Package is included within the category "Initial Inventory" in ITEM 7 of this Offering Circular. If your Franchise Agreement terminates before you begin operations, we will repurchase the initial inventory and refund the Initial Inventory Package Fee provided the various products are unopened or unused and remain in saleable condition. You are responsible for the transportation costs in returning the Initial Inventory Package to us.

If you are a conversion franchisee, you may already have an adequate inventory of NITELITES Products and Equipment.

Start-up Kit

Before you open your Franchised Business, you must purchase, from us, our Affiliate, or a supplier designated by us, a Start-up Kit consisting of a product demonstration kit, tools, vehicle graphics package, trade show display, yard signs, uniforms and other supplies you will need for the operation of the Franchised Business. You must pay us for the Start Up Kit when you attend the initial training program. The cost of the Start-up Kit is \$20,000, which is included within the category "Furniture, Fixtures and Equipment" in ITEM 7 of this Offering Circular. If your Franchise Agreement terminates before you begin operations, we will repurchase any

unopened, unused items remaining in a saleable condition from the Start-up Kit supplied by us or our Affiliate and provide you with a refund for the returned items. You are responsible for the transportation costs in returning Start-up Kit items.

If you are a conversion franchisee, you will not be required to purchase any components of the Start-up Kit which you have previously acquired.

ITEM 6. OTHER FEES

Below is a detailed description of other recurring or isolated fees or payments that you must pay to us or that we impose or collect for a third party. All payments are non-refundable.

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Sales (See Note 2)	15th of each month	Paid on Gross Sales for the preceding month.
Marketing Fund Contribution	2% of your purchases of NITELITES Products and Equipment (See Note 1)	15th of each month	The Marketing Fund Contribution is invoiced and collected by our affiliate, NLMDS, and paid over to the NITELITES Marketing Fund. (Section 3.B3.D)
Local Advertising	7½% of Gross Sales (See Note 2)	As incurred (See Note 3)	You pay directly subject to our approval. (Section 10.A) Payable to the suppliers of advertising.
Cooperative Advertising	Any portion or all of the Marketing Fund Contribution plus any portion or all of required Local Advertising may be re-designated for Cooperative Advertising	As directed	We may establish a Cooperative Advertising program in your regional marketing area. (Section 10.C) Payable as directed to us or the advertising cooperative.
Call Center Service Fee	\$500	1st of each month beginning on the 1st day of the 2nd calendar month after the month in which you open your Franchised Business	You will pay to us or our Affiliate a fee for call center services as directed by us or as set forth in the Manual. (Section 3.G)
Internet Marketing Fee	\$156	Prior to and every 6 months after opening	The Internet Marketing Fee is for promoting our trademarks and products through the Internet and World Wide Web, maintaining your e-mail accounts and updating your Internet presence. (Section 3.F)
Ongoing Purchases of NITELITES Products and Equipment	\$50,000 to \$155,000 in your first year (See Note 4)	As invoiced	Our Affiliate, NLMDS, will provide you with NITELITES Products and Equipment as described in ITEM 8. (Section 13.E)
Audit Expenses	Cost of audit plus interest on underpayment	As invoiced	Audit costs payable only if the audit shows an understatement in amounts due of at least 3%. (Section 11.E)
Interest Fees	Highest applicable legal rate, not to exceed 1.5% per month	As invoiced	Applies to all overdue Marketing Fund Contributions, Call Center Services Fees, Internet Marketing Fees and other amounts due to our Affiliate or us. (Section 3.I) Also applies to any understatement in amounts due revealed by an audit. (Section 11.E)
Suppliers' Approval	Reasonable cost of inspection and/or testing	Time of inspection or test	Applies to new suppliers or supplies you wish to purchase that we have not approved. (Section 13.C)

Name of Fee	Amount	Due Date	Remarks
Insurance Policies	Amount of unpaid premiums	As invoiced	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 15)
Transfer Fee	\$5,000	At the time of transfer	Payable when you transfer or sell your franchise. This transfer fee does not apply to an assignment of interest to an entity controlled by you. (Section 19.B.7)
Additional Training	Current rates as published in the Manual; currently \$300 per day, per person, plus your expenses as well as your employees' expenses in attending	Time of service	We provide 32 hours over 1 week of training for you and one additional person. You pay for additional training if you request it. (Section 9.A)
Additional Operations Assistance	Current rates as published in the Manual; currently \$750 per day per person plus our expenses	Time of assistance	We provide 3 consecutive days of assistance around the beginning of operations. You pay for additional assistance if you request it. (Section 9.D)
Ongoing Training	You are required to pay your expenses as well as your employees' expenses in attending these programs	Time of program	Attendance will not be required more than 2 times per year and attendance will not exceed 4 days per calendar year. (Section 9.E)
Cost of Enforcement	Cost including attorney fees	As invoiced	You will reimburse us for all costs in enforcing obligations under the Franchise Agreement if we prevail. (Section 23.C)
Liquidated Damages	\$100,000	Upon demand	If the Franchise Agreement terminates before its term is completed, we are entitled to receive monetary compensation. (Section 18.E)
Indemnification	Cost including attorney fees	As invoiced	You will defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business. (Section 22.B)

No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are generally non-refundable.

NOTES:

¹ Our Affiliate, NLMDS, has developed a line of architectural and landscaping and illumination products and equipment (referred to as "NITELITES Products and Equipment") that you will sell to your customers. The NITELITES Products and Equipment are listed in the Manual. As described in ITEM 8, you must purchase all of your requirements of NITELITES Products and Equipment from our Affiliate. (Section 13.D)

² "Gross Sales" means the aggregate of all revenue accrued from the sale of all exterior lighting products and related products from all sources in connection with the Franchised Business, whether or not collected by you and whether for check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding all refunds made in good faith, promotional and coupon discounts, and any sales and equivalent taxes which are collected by you for or on behalf of any governmental taxing authority. (Section 1)

³ "Local Advertising" means advertising, promotions and public relations within the local area to be serviced by your Franchised Business. Within 30 days after each calendar quarter, you must submit a report detailing your Local Advertising expenses for the quarter. If you fail to spend at

least 7½% of your Gross Sales on Local Advertising for 2 consecutive calendar quarters, we have the right to terminate your franchise.

⁴ Ongoing Purchases of Products and Equipment. Each year, you must purchase a minimum amount of NITELITES Products and Equipment from us, our Affiliate, or a supplier designated by us. The minimum annual purchase requirement is based upon population of your Protected Territory:

Protected Territory Population	Minimum Annual Franchisee Purchases First 12 Months
Less than 500,000	\$50,000
500,000 to 1,000,000	\$65,000
1,000,001 to 2,000,000	\$80,000
2,000,001 to 3,000,000	\$95,000
3,000,001 to 4,000,000	\$115,000
4,000,001 to 5,000,000	\$135,000
Over 5,000,000	\$155,000

Your minimum annual purchase requirement will increase each year by 15%.

ITEM 7. INITIAL INVESTMENT

We anticipate that you will incur the following estimated initial expenditures in the establishment of your Franchised Business.

<i>Names of Expenditures</i>	<i>Actual or Estimated Amounts for You</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment Is to be Made</i>
Franchise Fee ¹	\$ 50,000 to 115,000	Cashier's Check	Upon Signing Franchise Agreement	Us
Rent ²	\$ 0 to 5,600	As Arranged	As Incurred	Lessor
Utility Deposits ³	\$ 0 to 500	As Arranged	As Incurred	Utilities
Leasehold Improvements ⁴	\$ 0 to 250	As Arranged	As Incurred	Third Parties
Furniture, Fixtures & Equipment ⁵	\$ 20,500 to 21,000	As Arranged	As Incurred	Us, Suppliers
Insurance ⁶	\$ 500 to 1,000	As Arranged	As Incurred	Suppliers
Signage ⁷	\$ 0 to 500	As Arranged	As Incurred	Suppliers
Initial Inventory ⁸	\$ 13,000	As Arranged	As Incurred	Us Suppliers
Vehicles ⁹	\$ 450 to 1,350	As Arranged	As Incurred	Suppliers
Office Equipment & Supplies ¹⁰	\$ 3,000 to 5,000	As Arranged	As Incurred	Third Parties
Training ¹¹	\$ 4,000 to 7,500	As Arranged	As Incurred	Us, Third Parties
Licenses & Permits ¹²	\$ 50 to 850	As Arranged	As Incurred	Licensing Authority
Legal & Accounting ¹³	\$ 1,500 to 3,500	As Arranged	As Incurred	Attorney, Accountant

<i>Names of Expenditures</i>	<i>Actual or Estimated Amounts for You</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment Is to be Made</i>
Grand Opening ¹⁴	\$ 10,000 to 15,000	As Arranged	First 3 Months of Operation	Third Parties
Additional Funds ¹⁵ (3 months)	\$ 25,000 to 40,000	As Arranged	As Incurred	You Determine
TOTAL ¹⁶	\$128,000 to 230,050			

We anticipate that you will incur the following estimated initial expenditures in converting a current NITELITES distributorship to a Franchised Business.

<i>Names of Expenditures</i>	<i>Actual or Estimated Amounts for You</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment Is to be Made</i>
Franchise Fee ¹	\$ - 0 -	Cashier's Check	Upon Signing Franchise Agreement	Us
Rent ²	\$ 0 to 1,000	As Arranged	As Incurred	Lessor
Utility Deposits ³	\$ 0 to 200	As Arranged	As Incurred	Utilities
Leasehold Improvements ⁴	\$ 0 to 200	As Arranged	As Incurred	Third Parties
Furniture, Fixtures & Equipment ⁵	\$ 0 to 16,000	As Arranged	As Incurred	Us, Suppliers
Insurance ⁶	\$ 0 to 1,000	As Arranged	As Incurred	Suppliers
Signage ⁷	\$ 0 to 1,000	As Arranged	As Incurred	Suppliers
Initial Inventory ⁸	\$ 0 to 12,950	As Arranged	As Incurred	Us Suppliers
Vehicles ⁹	\$ 0 to 1,350	As Arranged	As Incurred	Suppliers
Office Equipment & Supplies ¹⁰	\$ 0 to 5,000	As Arranged	As Incurred	Third Parties
Training ¹¹	\$ 4,000 to 7,500	As Arranged	As Incurred	Us, Third Parties
Licenses & Permits ¹²	\$ 0 to 100	As Arranged	As Incurred	Licensing Authority
Legal & Accounting ¹³	\$ 0 to 3,500	As Arranged	As Incurred	Attorney, Accountant
Grand Opening ¹⁴	\$ - 0 -	As Arranged	First 3 Months of Operation	Third Parties
Additional Funds ¹⁵ (3 months)	\$ 0 to 40,000	As Arranged	As Incurred	You Determine
TOTAL ¹⁶	\$4,000 to 89,800			

NOTES

¹ Franchise Fee. The Franchise Fee is described in greater detail in ITEM 5 of this Offering Circular. If you are a conversion franchisee who is converting a NITELITES distributorship to a Franchised Business, the Franchise Fee is waived.

² Rent. You must purchase or lease a suitable premises from which to operate the Franchised Business. Subject to zoning rules and local ordinances, you may operate the Franchised Business from your home. We anticipate that most NITELITES Businesses not operated from the franchisee's home will be located in Class C retail commercial or light industrial areas. The figures in the chart represent the rent for the start-up phase of the business (which we calculate to be approximately 3 months) for approximately 200 square feet for an office, an 80 square foot

storage bay and a parking space. The figures are based upon a combined range of \$15 to \$20 per square foot. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon variance in square footage, cost per square foot and required maintenance costs. The estimates do not include real estate taxes and assume that rent commences when the Franchised Business opens. The terms of your lease will depend on the size, location, condition and desirability of the premises. Rent payments may or may not include site preparation and build-out costs, which will depend on the arrangements that you negotiate with your landlord. We assume the landlord will require the first month's rent and a security deposit equal to one month's rent. The amounts paid are typically not refundable except for a security deposit which may be refunded. The estimates assume that you will operate the Franchised Business from your home or lease space for the Franchised Business, and so do not include costs related to the purchase of land or the construction of any buildings. If you purchase and/or construct a site for the Franchised Business, your initial costs will likely be significantly greater than the estimates in the chart. As a conversion franchisee, it is unlikely that you will incur any incremental expenses as you will likely already have a premises for the operation of your distributorship.

³ Utility Deposits. You will generally incur certain deposits with local utilities if you are a new customer; for example, electric, telephone, gas, water and others. The amount of deposit will vary depending upon the policy of the local utility. Monthly utility expenses are not included in this section. They are however, disclosed in Additional Funds. As a conversion franchisee, you are not likely to incur any incremental expenses.

⁴ Leasehold Improvements. You may need to make minimal leasehold improvements to install additional electrical or phone lines for an office. The cost of leasehold improvements will vary based upon size, condition and location of the Franchised Business, local wage rates and material costs. No leasehold improvements may be necessary if you operate the Franchised Business from your home. As a conversion franchisee, we do not anticipate that you will incur any incremental expenses.

⁵ Furniture, Fixtures & Equipment. In addition to office furniture, which you may purchase from any approved supplier, you will need to purchase a Start-up Kit consisting of a product demonstration kit, a vehicle graphics package, a trade show display, yard signs, uniforms, specified tools, supplies and small equipment. You must purchase the Start-up Kit from us, our Affiliate or a supplier designated by us. The estimated cost of the Start-up Kit is \$20,000. As a conversion franchisee, you may have already acquired some of the components of the Start-up Kit.

⁶ Insurance. Requirements are described in greater detail in Section 15 of the Franchise Agreement. Factors that may affect your cost of insurance include location of the Franchised Business, value of the leasehold improvements, amount of inventory, the model, year and type of vehicle you use and other factors. As a conversion franchisee you should not incur any incremental expenses.

⁷ Signage. You will receive 5 yard signs and a graphics package for 1 vehicle in the Start-up Kit, the cost of which is included under "Furniture, Fixtures & Equipment." If you operate the Franchised Business from your home, you should not incur any costs for signage beyond that

which is included in the Start-up Kit. The high estimate in this category reflects the approximate cost of office or warehouse signage used in the Franchised Business if you lease space. As a conversion franchisee, your costs may be lower if you have previously acquired office or warehouse signage which you may use for your Franchise Premises.

⁸ Initial Inventory. You will need to purchase an initial inventory of NITELITES Products and Equipment, including transformers, fixtures, bulbs, lighting systems, and other items for sales demonstration and display purposes. See ITEM 5. Although the initial inventory may be purchased on an open account, the range shown represents the full cost of purchase. As a conversion franchisee, we assume you already have a supply of some of these items in your inventory.

⁹ Vehicles. The low figure provided above represents 1 month's lease payment. The high figure represents 3 months' lease payments. As a conversion franchisee, we assume you already have a suitable vehicle.

¹⁰ Office Equipment and Supplies. You must purchase general office equipment and supplies including a computer system which is described in ITEM 11. Factors that may affect your cost of office equipment and supplies include local market conditions, the suppliers and other factors. As a conversion franchisee, we assume you already have some of the necessary office equipment and supplies.

¹¹ Training. You are not charged an additional fee for initial training. You are responsible for transportation and expenses for meals and lodging and employees' salaries (if applicable), while attending training. The total cost will vary depending on how far you travel and the type of accommodations you choose. As a conversion franchisee, your costs of attendance may be lower if we determine that it is not necessary for you to attend certain portions of the initial training program.

¹² Licenses & Permits. These amounts will be incurred for costs such as operating licenses and permits. Your actual costs may vary from the estimates based on the requirements of local government authorities. As a conversion franchisee, it is unlikely that you will incur any incremental expenses.

¹³ Legal & Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Franchised Business. These fees may vary from state to state depending upon each state's laws and the prevailing rate of attorneys' and accountants' fees. As a conversion franchisee, it is likely that you will not incur any incremental expenses.

¹⁴ Grand Opening. You will be required to spend a minimum of \$10,000 on grand opening advertising during the first 3 months of operation. You may choose to spend more. Factors that may affect your decision on the actual amount to spend includes local media cost, location of the Franchised Business and customer demographics in the surrounding area. As a conversion franchisee, you are not required to advertise the opening of the Franchised Business.

¹⁵ Additional Funds. This amount estimates operating expenses for the start-up phase of the Franchised Business, which we calculate as 3 months, including employees' salaries, and utility expenses, and miscellaneous expenses. These amounts are estimates, and we cannot

guarantee that such an amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high.

¹⁶ Total. This total is an estimate of your initial investment and the expenses you will incur during the first 3 months of operations. In compiling this chart, we relied on 6 years of experience of our Director of Operations, Josh Johnston, in operating a NITELITES Business that is similar to the Franchised Business you will establish and operate. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team, the geographic location of your Franchised Business and your business experience and acumen. The total listed above does not include compensation for your time or labor. Neither does the total take into account any finance charges or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the above chart, you will also need sufficient savings or a source of income to cover your personal living expenses during the start-up phase of the business. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your Franchised Business.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described in this ITEM, you are not required to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of the Franchised Business from us or designated suppliers.

Specifications/Approved Suppliers

All computer hardware and software, equipment, forms, marketing materials, stationery, supplies, products, tools, and other materials used in the Franchised Business shall comply with our specifications and, if required by us, shall be purchased only from "Approved Suppliers" that we designate or approve (which might include us, an Affiliate or another supplier we designate). If we or one of our Affiliates is an Approved Supplier, you will be required to sign a purchase, lease, and license or supply agreement. We will provide you, in the Manual or other written or electronic form, a list of services and products requiring approval and, if required, a list of Approved Suppliers for some or all of these services and products and will from time to time issue revisions. We formulate and modify our specifications and standards for products and services based on our industry knowledge and our Director of Operation's 6 years of experience in operating a similar business.

If you desire to use any item or service in operating the Franchised Business that we have not approved (for items or services that require supplier approval), you will first send us sufficient information, specifications and/or samples for us to determine whether the item or service complies with our standards and specifications or the supplier meets our Approved Supplier criteria. You will bear all reasonable expenses incurred by us in connection with determining whether we will approve an item, service or supplier. We will decide and notify you within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease such items or services or from such supplier. We reserve the right to review from time to time our approval of any items or suppliers. You acknowledge and agree that we may revoke our approval of any item, service or supplier at any time, in our sole discretion, by

- notifying you and/or the supplier. You agree, at your own expense, to promptly cease using, selling or providing any items or services disapproved by us and to promptly cease purchasing from suppliers, which we disapprove.

We apply the following general criteria in approving a proposed supplier: its ability to provide sufficient quantity of product; the quality of its products and/or services at competitive prices; its production and delivery capability; and the dependability and general reputation of the supplier. Nothing requires us to approve any particular supplier or to make available to prospective suppliers, standards and specifications that we, in our discretion, deem confidential.

NITELITES Products and Equipment

Our Affiliate, NLMDs, manufactures and supplies you and our other franchisees with our proprietary line of NITELITES Products and Equipment. NITELITES Products and Equipment include: transformers, fixtures, bulbs, timers, outlets, lens covers, connectors, and lighting systems for path, spot, deck, grill and water lighting and other items described in our Manual which are specially suited for superior quality architectural and landscape illumination. There are no alternate sources of supply. We may introduce new or modify existing NITELITES Products and Equipment and there are no limits on our right to do so. We do not require you to carry a full line of NITELITES Products and Equipment at all times. You will be required at all times to maintain a sufficient inventory of NITELITES Products and Equipment to operate the Franchised Business at full capacity. When you sign the Franchise Agreement, you will also enter into a Supply Agreement with NLMDs. A copy of our standard form of Supply Agreement is included as Exhibit E to the Franchise Agreement. As a result of NLMDs's sale of NITELITES Products and Equipment to you and other franchisees, NLMDs will derive revenue equal to the price it charges you and other franchisees for the items.

We estimate that your purchases of NITELITES Products and Equipment will represent 6% to 10% of your initial investment and 30% to 40% of your operating expenses. If you are a conversion franchisee, we estimate that your purchases of NITELITES Products and Equipment represent approximately 0% to 75% of your initial investment and 30% to 40% of your operating expenses.

Call Center Services

We have developed a centralized call center specially designed to manage customer inquiries about NITELITES illumination design and installation services. The NITELITES Call Center Service processes customer inquiries and sales leads, coordinates sales calls and product demonstration appointments for you and other franchisees. We currently charge a fee of \$500 per month for Call Center Services. You will not be required to pay the monthly Service Fee until the beginning of the second month after you begin operations of the franchise. When you sign the Franchise Agreement, you will also be required to sign the Call Center Service Agreement. A copy of this agreement is included as Exhibit D to the Franchise Agreement. We will derive revenue equal to the Call Center Service Fees we charge you and other franchisees.

We estimate that Call Center Service Fees represent 0% of your initial investment and less than 1% of your operating expenses. If you are a conversion franchisee, we estimate that Call Center

Service Fees represent 0% of your initial investment and less than 1% of your operating expenses.

Internet Marketing Fee

We have established an Internet site which posts advertisements and information about the products and services provided by you and other franchisees. We currently charge a semi-annual fee of \$156 for Internet Marketing. Our Internet Marketing services and policies are detailed in our Manual. Fees are collected in February and August each year through an electronic transfer account that we require all franchisees to establish for the payment of Marketing Fund Contributions and Internet Marketing Fees. Further details about advertising programs and our systemwide Marketing Fund are provided in ITEM 11 of this Offering Circular. We will derive revenue from you and other franchisees equal to the fees you and other franchisees pay for Internet Marketing conducted by us.

We estimate that Internet Marketing Fees represent 0% of your initial investment and less than 1% of your operating expenses. If you are a conversion franchisee, we estimate that Internet Marketing Fees represent 0% of your initial investment and less than 1% of your operating expenses.

Start-up Kit

Before you open your Franchised Business, you are required to purchase, from us, our Affiliate, or a supplier designated by us, a Start-up Kit consisting of a product demonstration kit, tools, vehicle graphics package, tradeshow display, yard signs, uniforms and other supplies you will need for the operation of the Franchised Business. As a result of our or NLMD's sale of the Start-up Kit to you and other franchisees, we or NLMD will derive revenue equal to the price you and other franchisees pay for the Start-up Kit.

We estimate that your purchases of the Start-up Kit represent approximately 7% to 13% of your initial investment and 0% of your operating expenses. If you are a conversion franchisee, we estimate that your purchases of the Start-up Kit represent approximately 0% to 17% of your initial investment and 0% of your operating expenses.

We reserve the right to develop other proprietary products and services specially designed for use in the NITELITES System and to require you and other franchisees to purchase such products from us. We also reserve the right to designate ourselves as an Approved Supplier for any items or materials used in the operation of your Franchised Business. Neither we, nor our Affiliate, derive revenue as a result of your purchases from Approved Suppliers, although we reserve the right to do so in the future.

Computer Hardware and Software

You are required to install and utilize the computer hardware and software as described in ITEM 11 of this Offering Circular. We do not derive revenue as a result of your purchase of computer hardware and software.

Insurance

You shall procure, at your sole expense, and maintain in full force and effect during the term of the Franchise Agreement, insurance as specified in Section 15 of the Franchise Agreement, naming us as an additional insured and/or loss payee, in addition to any other insurance that may be required by applicable law, or by any lender or lessor. We do not derive revenue as a result of your purchase of insurance.

Vehicles

You will need to lease or purchase a vehicle to operate your Franchised Business. You will use your vehicle to carry your tools and equipment and to make sales calls and service customers within your Protected Territory. We do not derive any revenue as a result of your lease or purchase of vehicles.

Miscellaneous

We may negotiate group rates, as appropriate, for purchases of equipment and supplies necessary for the operation of the Franchised Business. Presently, there are no such purchase or supply agreements in effect. There are no purchasing or distribution cooperatives, which you are required to join. Neither we nor our Affiliate receive revenue or other material consideration from any third-party suppliers as a result of purchases by you or any other franchisee. We may, however, do so in the future. We may receive volume rebates, markups and other benefits from suppliers, or in connection with the furnishing of suppliers, and you agree that all such benefits shall accrue to our benefit and that you shall have no entitlement or interest.

We estimate that 16% to 32% of your required expenditures for leases and purchases in establishing your Franchised Business and 40% to 50% of your expenditures on an ongoing basis will be for goods and services which must be purchased from approved or designated suppliers or in accordance with our specifications.

As a result of the sale of all required purchases and leases of products and services to NITELITES franchisees in calendar year 2005, we derived \$40,792 in revenue, representing 6.8% of our total revenue of \$596,166 as reflected on our audited statement of operations, and NLMDs derived \$1,283,108, or 62% of its total revenue of \$2,058,699.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Franchised Businesses) based on whether or not you purchase through the sources we designate or approve, however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

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 THE OFFERING CIRCULAR.

Obligation		Section in Franchise Agreement	ITEM in Offering Circular
a.	Site selection and acquisition/lease	Section 4.D	ITEM 12
b.	Pre-opening purchases/leases	Sections 4.D, 11.D, 13 and 15	ITEMS 7 and 8
c.	Site development and other pre-opening requirements	Sections 4.D and 9	ITEMS 6, 7 and 11
d.	Initial and ongoing training	Sections 9.A and 9.E	ITEMS 6, 7 and 11
e.	Opening	Sections 4.D, 9.A, 10.D, 13.J and 15	ITEM 11
f.	Fees	Sections 3, 9, 10, 11.D, 11.E, 12.B, 13.J, 15, 19, 21 and 23.C	ITEMS 5 and 6
g.	Compliance with standards and policies/Operating Manual	Sections 6, 7, 8 10, 11, 12 and 15	ITEM 8
h.	Trademarks and proprietary information	Sections 6, 7 and 8	ITEMS 13 and 14
i.	Restrictions on products/services offered	Sections 4.D, 6, 8, 12 and 13	ITEMS 8 and 16
j.	Warranty and customer service requirements	Section 13	ITEM 16
k.	Territorial development and sales quotas	Section 13.E	ITEM 12
l.	Ongoing product/service purchases	Section 13	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 4.D, 12.B and 13.F	ITEMS 6 and 17
n.	Insurance	Section 15	ITEMS 6, 7 and 8
o.	Advertising	Section 10	ITEMS 6 and 11
p.	Indemnification	Section 22.B	ITEM 6
q.	Owner's participation/ management/staffing	Section 13	ITEM 15
r.	Records and reports	Section 11	ITEM 11
s.	Inspections and audits	Sections 6, 11.E and 13.N	ITEMS 6, 11 and 13
t.	Transfer	Section 19	ITEM 17
u.	Renewal	Section 4.B	ITEM 17
v.	Post-termination obligations	Section 18	ITEM 17
w.	Non-competition covenants	Section 16	ITEM 17
x.	Dispute resolution	Section 24	ITEM 17

ITEM 10. FINANCING

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

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you under the Franchise Agreement.

A. Pre-Opening Assistance. Before you begin operating your Franchised Business, we will:

1. Designate your "Protected Territory" within which you will operate your Franchised Business. See ITEM 12 for additional information on the Protected Territory. (Section 2.D)

2. Review and approve your lease or purchase agreement for the site for the operation of the Franchised Business. (Section 5.B)

OUR REVIEW OF YOUR LEASE OR PURCHASE AGREEMENT AND ANY ADVICE NOR RECOMMENDATIONS WE MAY OFFER IS NOT A REPRESENTATION OR GUARANTEE BY US THAT YOU WILL SUCCEED AT THE LEASED OR PURCHASED PREMISES.

3. Provide you with standard plans and specifications for the build-out and equipping of the Franchise Premises and vehicles and for the products and services to be used in and offered for sale by the Franchised Business and a list of Approved Suppliers either through the Manual or through written or electronic form. (Section 5.C)
4. Provide an initial training program for approximately 32 hours over 1 week. All training we provide will be subject to the terms in Section 9.A of the Franchise Agreement. This training is described in detail later in this ITEM.
5. Provide to you, on loan, one copy of the NITELITES FRANCHISE SYSTEMS, INC. Operating Manual and other manuals, which are part of the System, as more fully described in Section 8 of the Franchise Agreement. The Table of Contents of the Operating Manual is included as Exhibit D to this Offering Circular.

B. Ongoing Assistance. During the operation of your Franchised Business, we will:

1. Provide you with on-site assistance and guidance for approximately 3 days to assist you with any questions you may have. (Section 9.D)
2. From time to time, be available by telephone, e-mail or facsimile to discuss any problem and to render advice and guidance with respect to planning, opening and operation of the Franchised Business and other aspects of the System during our normal business hours. We do not charge for these services, however, we retain the right to discontinue this service should you, in our discretion, be deemed to be utilizing this service too frequently or in an unintended manner. (Section 14.A)
3. Make periodic visits to your Franchised Business for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the Franchised Business. We may prepare written reports outlining any suggested changes or improvements. (Section 14.B)
4. Provide you with modifications to the NITELITES Operating Manual as they are made available to franchisees. (Section 8.B)
5. Periodically make available changes and additions to the System as generally made available to all franchisees. (Section 12.B)

6. Provide forms of advertising and promotional materials including ad-slicks, brochures, fliers and other materials to you for use in the operation of the Franchised Business. (Section 14.C)
7. Make available to you ongoing training programs as we deem necessary. (Section 9.E)

C. Advertising and Promotion

1. You must spend 7.5% of your Gross Sales on Local Advertising. You will make these expenditures directly subject to our approval. (Section 10.A)
2. We have established a systemwide Marketing Fund, to which you are required to make a contribution of 2% of your NITELITES Product and Equipment purchases. The Marketing Fund is maintained and administered by us or our designee as follows: (Section 10.B)

We will oversee all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. The media used may include print, television, radio, Internet or other media. We cannot and do not ensure that any particular franchisee will benefit directly or pro rata from the placement of advertising by the Marketing Fund.

Your Marketing Fund Contribution may be used to meet any and all costs of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine and newspaper advertising campaigns and other public relations activities developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist; and providing promotional brochures and other marketing materials to franchisees). We initially plan to conduct all advertising in-house, but may use a national or regional advertising agency in the future. All contributions by you to the Marketing Fund will be maintained in a separate account from our funds and will not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration of the Marketing Fund.

Affiliate and franchisor-owned businesses operating under the same System and Marks as the Franchised Business will make similar contributions to the Marketing Fund.

We anticipate that all contributions to the Marketing Fund will be expended for advertising and promotional purposes during our fiscal year within which the contributions are made. All expenditures in the following fiscal years will be made first out of any interest or other earnings of the Marketing Fund, next out of current contributions. Although we intend the Marketing Fund to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The

Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and promotional purposes or returned to you on a pro rata basis.

An accounting of the operation of the Marketing Fund will be prepared annually and will be made available to you upon request. We reserve the right, at our option, to require that such annual accounting include an audit of the operation of the Marketing Fund prepared by an independent certified public accountant selected by us and prepared at the expense of the Marketing Fund.

The Marketing Fund is not a trust and we assume no fiduciary duty in administering the Marketing Fund. (Section 10.B)

3. Although not obligated to do so, we may create a Cooperative Advertising program for the benefit of all NITELITES Businesses located within a particular geographic area. We have the right to (a) allocate any portion of your Marketing Fund Contributions; and (b) collect and designate all or a portion of your required Local Advertising expenditures for a Cooperative Advertising program. We have the right to determine the composition of all geographic territories and market areas for the implementation of Cooperative Advertising and promotion campaigns and to require that you participate in such Cooperative Advertising programs when established by us. If a Cooperative Advertising program is implemented on behalf of a particular region, we reserve the right to establish an advertising council for a particular region to enable the council to self-administer the Cooperative Advertising program, and you agree to participate in such council according to the council's rules and procedures and to abide by the council's decisions. (Section 10.C)
4. During the first 3 months of operation, you must spend at least \$10,000 on Grand Opening Advertising. We will provide you with guidance for conducting Grand Opening Advertising and you must obtain our prior approval of your Grand Opening Advertising materials. Your expenditures for Grand Opening Advertising are in addition to Local Advertising. (Section 10.D) If you are a conversion franchisee, you are not required to advertise the opening of your Franchised Business.
5. You are required to list and advertise the telephone number for the Franchised Business in the "white pages" telephone directory and the classified or "yellow pages" telephone directory distributed in the trade area of the Franchised Business and in such directory heading or category as we specify. The telephone number must be listed under an address or other location within your Protected Territory. You must place the classified directory advertisement and listings together with other NITELITES Businesses operating under the same System and Marks within the distribution area of the directories. If a joint listing is obtained, the cost of the advertisements and listings will be apportioned by all Franchised Businesses placed together. (Section 10.E)

6. We maintain an Internet site to market and advertise the products and services offered by franchisees. We charge you a semi-annual fee of \$156 for Internet Marketing. See ITEM 8 of this Offering Circular. (Section 3.F)

We retain the sole right to establish and maintain a site on the Internet or World Wide Web using a domain name or uniform resource locator containing the Marks and to advertise on the Internet, and you agree not to establish a presence or advertise on the Internet using any of the Marks, or any confusingly similar words, names or marks without our prior consent. We may request that you prepare content about the Franchised Business for our Internet marketing. We retain all rights, title and interest in any domain names we designate in the Manual. (Sections 6.F and 10.F)

D. Computer Hardware and Software

We have the right, under the Franchise Agreement, to require you to purchase and use any and all hardware and computer software programs which we may designate. At present, you are required to purchase and utilize computer hardware with the following minimum specifications:

- IBM-compatible PC with Intel®¹ Pentium®-class processor (minimum 800 MHz)
- 256 MB RAM
- 3 GB hard drive with at least 2 GB of free disk space
- Compact disk writer/burner (CD-R or CD-RW drive)
- Keyboard and a mouse or other pointing device supported by Windows®²
- 56 kbps Hayes-compatible modem or TCP/IP connection to the Internet
- 15" VGA color monitor capable of 1024 x 768 or higher resolution
- 300 dpi laser printer

In addition, we require you to purchase and utilize the following computer software:

- Microsoft® Windows XP Professional operating system Microsoft® Office 2000 (an integrated package of business applications, including Microsoft® Word, a word processing application, and Microsoft® Excel, a spreadsheet application)
- ACT!®³ 2000 (a contact management database application)
- QuickBooks®⁴ Online Edition (a Web-based bookkeeping application)

¹ Intel® and Pentium® are registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. Neither we nor any Affiliate will derive revenue from purchases from Intel Corporation.

² Microsoft®, Windows®, and PowerPoint® are registered trademarks of Microsoft Corporation or its subsidiaries in the United States and other countries. Neither we nor any Affiliate will derive revenue from purchases from Microsoft Corporation.

³ ACT!® and PC Anywhere® are registered trademarks of Symantec Corporation or its subsidiaries in the United States and other countries. Neither we nor any Affiliate will derive revenue from purchases from Symantec Corporation.

⁴ QuickBooks® is a registered trademark of Intuit, Inc. or its subsidiaries in the United States and other countries. Neither we nor any Affiliate will derive revenue from purchases from Intuit, Inc.

The cost of a subscription to QuickBooks® Online Edition is approximately \$20 per month, which is included in the table in ITEM 7 of this Offering Circular. You will also need to establish a standard e-mail account that is capable of receiving and sending attached files up to 1 MB in size along with a dial-up Internet connection via a commercial Internet service provider ("ISP") for purposes of reaching our intranet site and communicating with us and other franchisees via e-mail. The ISP will typically require a monthly subscription charge (usually from \$20 to \$75), however, there are a number of ISP's that provide limited free access.

If you are purchasing a new computer system, we recommend that you purchase a computer that is additionally equipped with a 1.2 GHz processor, a 10 gigabyte hard drive, the latest versions of Microsoft® Office (Excel, Word) including PowerPoint® (presentation creation application) and ACT!®, automated backup/recovery software, a 600 dpi laser printer, a 17" XGA Monitor, and a high speed cable (cable modem) or telephone (ADSL) Internet connection in addition to the minimum requirements described above.

Except as disclosed above, you are not required to enter into any ongoing maintenance and support agreement but may find it advantageous to do so.

We have the right to independently access all information collected or compiled by you at any time without first notifying you.

We reserve the right to substitute a different approved supplier if circumstances warrant a substitution.

You must update or upgrade computer hardware components and/or software as we deem necessary but not more than one time per year.

E. Location of the Franchised Business

We do not select or approve a site, or provide you with assistance in selecting a site, for the Franchised Business. We do not impose any restrictions upon the location from which you operate the Franchised Business. You may operate your franchise out of your home, provided that doing so will not violate any zoning or building code or other ordinance. You are not required to operate the Franchised Business from a site within your Protected Territory, but you must maintain a business address in your Protected Territory, the telephone number for your franchise must be listed under an address or other location in your Protected Territory, and the location should be geographically convenient to the more densely populated areas of your Protected Territory and to major thoroughfares. You are not permitted to operate the Franchised Business outside your Protected Territory (see ITEM 12 below for a detailed explanation of the territorial restrictions). You must provide us with the address of the site and notify us promptly of any change in the location.

F. Typical Length of Time Before Operation

The typical length of time between the signing of the Franchise Agreement and the opening of your Franchised Business is 3 months. You are required to open and continuously operate the Franchised Business no later than 6 months after signing the Franchise Agreement. Factors which may affect your beginning operations include ability to find a suitable office, provided you are not able to utilize an office in your residence, ability to secure permits, zoning and local ordinances, delays in installation of equipment and completion of the initial training program. You are required to open your Franchised Business and be operational within 6 months after signing the Franchise Agreement, or we have the right to terminate your Franchise Agreement without refunding any money you have paid. (Section 5.D)

G. Initial Training

We provide an initial training program, for you (or your Designated Manager, if you are a business entity) and up to one other employee. You or your Designated Manager, if applicable, must attend and complete the initial training program to our satisfaction before beginning operations of the Franchised Business. The initial training program consists of approximately 32 hours over one week of instruction pertaining to the operation and management of a Franchised Business, including understanding of administrative, operational, sales/marketing matters, financial controls, other management and operational techniques and maintenance of quality standards. There is no additional fee for initial training, however, you must pay all expenses incurred during training, including travel, lodging, meals and employees' salaries, if applicable. (Section 9.A) We may, in our sole discretion, determine that it is not necessary for you to attend certain portions of our initial training program if you are a conversion franchisee who is already familiar with our products and services. Our initial training program is currently conducted in Franklin, Ohio, however, we have the right to designate a different location. If you cannot successfully complete the initial training program, we may terminate your Franchise Agreement. If we do so, we will refund 50% of the Franchise Fee you paid.

All training will be conducted by our President, Tom Frederick, and trainer Dave Thoma. See ITEM 2 of this Offering Circular for a description of Mr. Frederick's background. Mr. Thoma has been a Training and Support Specialist with our Affiliate, NLMDS, since May 2004. Prior to joining NLMDS, he installed NITELITES lighting systems on a part-time basis for 4 years. He has experience in all aspects of the installation of NITELITES lighting systems. The agenda of our initial training program is attached to this offering circular as Exhibit I.

We periodically may require that previously trained franchisees attend and participate in refresher programs. Attendance at such training programs will be at your sole expense, however, attendance will not be required at more than 2 such programs and will not exceed 4 days in any calendar year. (Section 9.E)

ITEM 12. TERRITORY

We grant you the right to operate a NITELITES Business at a particular location known as the "Franchise Premises" which is listed in Section 2.B of the Franchise Agreement. You may not relocate the Franchised Business without our consent. We also grant you a "Protected Territory." The Franchise Fee you must pay when you sign your Franchise Agreement will be determined by the population of your Protected Territory (see ITEM 5 of this Offering Circular for a more detailed explanation of the Franchise Fee). There is no minimum size or population for a Protected Territory. Population figures for the Protected Territory will be based upon the most recent available U.S. Census data at the time the Protected Territory is designated. We will not establish any substantially similar franchised or franchisor-owned businesses under the name NITELITES or any other name within your Protected Territory.

You understand that we have the following rights: (a) to establish and operate, and to license others to establish and operate, NITELITES Businesses at any location outside the Protected Territory; (b) to establish and operate, and to license others to establish and operate, other businesses for the sale of products or provision of services, other than those offered by the Franchised Business, using other trademarks, service marks and commercial symbols at any location both within and outside the Protected Territory; (c) to sell or otherwise distribute, both within and outside the Protected Territory, products and/or services similar to those offered through the Franchised Business through alternate channels of distribution (other than franchised outlets, but including e-commerce, direct mail, and catalog sales) under terms and conditions that we deem appropriate; and (d) to engage in any other activities not expressly prohibited by the Franchise Agreement. (Section 2.E)

You are not restricted from soliciting or advertising for customers outside your Protected Territory, except you may not solicit or advertise for customers or operate the Franchised Business in another franchisee's protected territory, and you may not advertise on the Internet without our prior written consent. (Section 2.D) See ITEM 11.

You are required to make minimum purchases of NITELITES Products and Equipment. The minimum annual purchase requirement is determined by the population of your Protected Territory as follows:

Protected Territory Population	Minimum Annual Franchisee Purchases First 12 Months
Less than 500,000	\$50,000
500,000 to 1,000,000	\$65,000
1,000,001 to 2,000,000	\$80,000
2,000,001 to 3,000,000	\$95,000
3,000,001 to 4,000,000	\$115,000
4,000,001 to 5,000,000	\$135,000
Over 5,000,000	\$155,000

Minimum annual franchisee purchases increase by 15% after the first full year and continue to increase by 15% for 5 years. If you do not meet the minimum NITELITES Products and

Equipment purchase requirement, we have the right to terminate your Franchise Agreement. (Section 13.D)

If you are in compliance with the Franchise Agreement and we contract with a major purchaser of NITELITES Products and Equipment for a location in your Protected Territory, we may receive proposals from others to fulfill the contract or we may offer the right directly to you. We refer to these major purchasers as "National Accounts." If we receive proposals from others, we will offer you a right of first refusal to fulfill the contract. If you opt to fulfill the contract after we receive a proposal from another, you must agree to fulfill the contract at the same price and on the same terms as contained in the proposal. (Section 2.F)

ITEM 13. TRADEMARKS

Under the Franchise Agreement, we grant you the right to operate the Franchised Business under the trademark, "NITELITES." You may also use the trademark "LITE THE NITE," any other current or future Mark to operate your Franchised Business that we designate in writing including the logo on the front of this Offering Circular. By "Mark," we mean any trade name, trademark, service mark and logo that we authorize you to use to identify your business.

The NITE LITES logo was registered on the Principal Register of the United States Patent and Trademark Office ("PTO") by an unaffiliated individual named Constantine G. Pergantis. All required affidavits have been filed, including a declaration of incontestability under Section 15 of the Trademark Act.

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
NITE LITES Design	1,872,819	January 10, 1995

We have also filed the following applications to register the word Mark NITELITES with the PTO:

TRADEMARK	GOODS/SERVICES	SERIAL NO.	DATE OF APPLICATION
NITELITES	Design and installation of landscape lighting	78/475067	August 27, 2004
NITELITES	Electric lighting fixtures	78/475102	August 27, 2004

Under a trademark assignment agreement dated August 5, 2004, and recorded with the PTO on August 27, 2004, Pergantis assigned to us all of his rights in the NITE LITES Mark in connection with the sale and installation of architectural illumination products, in exchange for which we agreed to pay him a monthly assignment fee. The assignment fee is 2% of our "gross sales" through June 30, 2013, and 1½% of our gross sales from July 1, 2013 through August 4, 2034. "Gross sales" means the total royalties and franchise fees paid to us by NITELITES franchisees, and the total revenue of our Affiliate, NLMDS, from the sale of NITELITES Products and Equipment to NITELITES franchisees and distributors. Pergantis is entitled to a minimum assignment fee of \$1,000 per month through June 30, 2008, \$1,500 per month from July 1, 2008 through June 30, 2013, and \$2,000 per month from July 1, 2013 through August 4, 2034. The agreement also requires us to pay Pergantis a bonus of 2% of the proceeds from any sale of our

stock or the sale of a substantial portion of our business or assets. We have the right to terminate the assignment fee payments at any time within the first 10 years of the agreement by paying a termination fee equal to 8 times the total assignment fees paid to Pergantis during any consecutive 12-month period chosen by him. If we breach the agreement and fail to cure the breach within 30 days, all rights to the NITE LITES Mark will revert to Pergantis. Under the same agreement, we granted Pergantis an exclusive license to use the NITE LITES Mark in Maryland, the counties of Arlington, Fairfax, Loudoun and Prince William and the City of Alexandria in Virginia, and Washington, D.C. The term of Pergantis' trademark license is for as long as Pergantis uses the Mark unless terminated sooner for cause.

On July 20, 2004, a Georgia corporation named Nightlight Systems, Inc. sued Mr. Pergantis in the U.S. District Court for the Northern District of Georgia, Atlanta Division (Nightlight Systems, Inc. v. Constantine G. Pergantis, et al., Civil Action File No. 1:04-CV-2112 CAP), seeking a declaratory judgment that its use of the service mark NIGHTLIGHT SYSTEMS does not infringe Pergantis's or our rights in the NITELITES Mark, and seeking the cancellation of the NITELITES trademark registration. According to the complaint, Nightlight Systems, Inc. has used the NIGHTLIGHT SYSTEMS mark in connection with designing and installing outdoor architectural and landscape lighting systems in the metropolitan Atlanta area since February 1996, and licensed other parties to use its mark in Scottsdale, Arizona; Louisville, Kentucky; and Jupiter and Boca Raton, Florida. The plaintiff alleged that its NIGHTLIGHT SYSTEMS mark is not confusingly similar to Pergantis's NITELITES Mark, and that Pergantis's trademark registration should be cancelled because he abandoned the mark and failed to exercise sufficient control over his licensees' use of the mark, and because the term NITELITES is generic as applied to Pergantis' lighting services. In September 2004, we filed a motion to intervene and were substituted as the defendant in place of Pergantis, then filed a counterclaim against Nightlights Systems, Inc. and its owner, Robert Gates, alleging that their use of the NIGHTLIGHT SYSTEMS mark is confusingly similar to the NITE LITES mark, constituting trademark infringement and unfair competition. In October 2005, Nightlight Systems, Inc. amended its complaint to include our president, Thomas Frederick, and our Affiliate, NLMDs, as defendants. The parties have not completed discovery and no trial date has been set. If Nightlight Systems, Inc. prevails in the suit, the court may order the cancellation of the NITE LITES trademark registration by the PTO, or declare that the NIGHTLIGHT SYSTEMS mark is not confusingly similar to the NITELITES Mark and that Nightlight Systems, Inc.'s use of the NIGHTLIGHT SYSTEMS mark does not infringe our rights in the NITELITES Mark. We may not be able to use or license the use of the NITELITES Mark in those areas in which Nightlight Systems, Inc. or its licensees operate, or we may not be able to prevent Nightlight Systems, Inc. or its licensees from using the NIGHTLIGHT SYSTEMS mark.

On January 17, 2006, 4 parties filed a joint petition with the PTO's Trademark Trial and Appeal Board ("TTAB") to cancel our NITE LITES mark (Reg. No. 1,872,819) on the ground that it has become a generic name for landscape lighting installation services (TTAB Cancellation No. 92045350). The petitioners are Night Lights, Inc., of Tampa, Florida; Nightlites, Inc., of Venice, Florida; Nightlight Systems of Florida, Inc., of Boca Raton, Florida; and Night Lights of Arizona, Inc., of Scottsdale, Arizona. We have filed an answer denying the petitioners' claims. We have not completed discovery and no hearing date has been set. If the petitioners prevail, the PTO will

cancel our NITE LITES trademark registration, and we may not be able to prevent the other parties from using the NITE LITES mark.

Nightlight Systems, Inc., the same Georgia company that filed the declaratory judgment action described above relating to our NITE LITES mark, has also filed notices of opposition with the TTAB against both of our pending NITELITES trademark applications listed above (TTAB Opposition No. 91169737 relating to Serial No. 78/475102, filed March 14, 2006; TTAB Opposition No. 91168466 relating to Serial No. 78/475067, filed January 6, 2006). Night Lights, Inc., one of the petitioners in the January 2006 cancellation proceeding relating to our NITE LITES mark, has also filed a notice of opposition against one of our pending NITELITES applications (TTAB Opposition No. 91168520 relating to Serial No. 78/475067, filed January 10, 2006). The grounds for all the opposition actions are that the opposers have prior and superior rights to confusingly similar marks, and that our mark is merely descriptive of the goods and services that it identifies, and therefore is not entitled to registration on the Principal Register. We have filed answers denying the opposers' claims. We have not completed discovery and no hearing has been scheduled. If the opposers prevail, the PTO will deny our applications to register the NITELITES mark in connection with landscape lighting design and installation services and electric lighting fixtures, and we may not be able to prevent the other parties from using the NITELITES mark in connection with those goods and services.

All of the parties in the Georgia lawsuit, the cancellation proceeding, and the opposition proceedings are represented by the same attorney. At least 2 of the companies opposing our pending trademark applications, Nightlight Systems of Florida, Inc. and Night Lights of Arizona, Inc., are licensees of Nightlight Systems, Inc., the plaintiff in the Georgia lawsuit.

Our Affiliate, NLMDs, registered the following Mark on the Principal Register of the PTO:

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
LITE THE NITE	2,825,098	March 23, 2004

Under an agreement dated July 30, 2004, NLMDs assigned all of its rights in the LITE THE NITE Mark to us.

In addition, NLMDs claims common law trademark rights in and to the following Mark:

TRADEMARK	DATE OF USE
NITELIGHTS	June 1, 1998

Under an agreement dated July 30, 2004, NLMDs assigned all of its rights in the NITELITES Mark to us.

Other than the above, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

Except as disclosed above, there are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

We are aware of the following third-party uses of our NITELITES name or mark. Any franchisees in or around these geographic areas could be materially affected by these infringing uses.

1. A company named Night Lights, Inc. operates a business similar to the Franchised Business under the name NIGHT LIGHTS at 19651 Bruce B. Downs Boulevard, Tampa, Florida 33647. Although we do not know the parameters of its geographic market, it may be able to prevent us from using or licensing the use of the NITELITES Mark in certain areas. We believe that this use infringes upon our rights in our NITELITES mark and that our rights are superior so as to enable us to prevent its use of the name.

2. A company named Nightlites Professional Lightscaping, Inc. operates a business similar to the Franchised Business under the name NIGHTLITES at 2520 Flower Road, Venice, Florida 34293. Although we do not know the parameters of its geographic market, it may be able to prevent us from using or licensing the use of the NITELITES Mark in certain areas. We believe that this use infringes upon our rights in our NITELITES mark and that our rights are superior so as to enable us to prevent its use of the name.

3. An individual named Kevin Driver operates a business similar to the Franchised Business under the name NITELITES OF NASHVILLE at 1112 Weston Drive, Mt. Juliet, Tennessee 37122. Although we do not know the parameters of his geographic market, he may be able to prevent us from using or licensing the use of the NITELITES Mark in certain areas. We believe that this use infringes upon our rights in our NITELITES mark and that our rights are superior so as to enable us to prevent his use of the name.

4. An individual named Nick Young operates a business similar to the Franchised Business under the name NITE LITES BY NICK at 8 Candon Court, Columbia, South Carolina 29229. Although we do not know the parameters of his geographic market, he may be able to prevent us from using or licensing the use of the NITELITES Mark in certain areas. We believe that this use infringes upon our rights in our NITELITES mark and that our rights are superior so as to enable us to prevent his use of the name.

5. A company named Night Light, Inc. operates a business similar to the Franchised Business under the name NIGHT LIGHT at 30 Acord Drive, Hawthorn Woods, Illinois 60047. Although we do not know the parameters of its geographic market, it may be able to prevent us from using or licensing the use of the NITELITES Mark in certain areas. We believe that this use infringes upon our rights in our NITELITES mark and that our rights are superior so as to enable us to prevent its use of the name.

6. Two companies operate businesses similar to the Franchised Business under the name NITE LIGHTS in Griffith, Indiana. Nite Lights is located at 1433 South Broad Street, and Nite Lights Outdoor Lighting is located at 1519 North Woodlawn Avenue. Although we do not know

the parameters of their geographic markets, they may be able to prevent us from using or licensing the use of the NITELITES Mark in certain areas. We believe that their use infringes upon our rights in our NITELITES mark and that our rights are superior so as to enable us to prevent their use of the name.

Except as disclosed above, there are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which the Franchised Business is to be located.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to the conduct of your Franchised Business. You may only use the Marks in accordance with our standards, operating procedures and specifications and any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in and to the Marks. You shall not at any time acquire any rights in the Marks. In addition, under the Franchise Agreement, you agree not to contest the validity or the ownership of any of the Marks or assist any other person in contesting the validity or ownership of the Marks at any time, either during the term of the Franchise Agreement or after its expiration or termination. (Section 6.A)

You must immediately notify us of any apparent infringement of, or challenge to, your use of any Mark, or claim by any person of any rights in any Marks, and you may not communicate with any person other than your counsel, us and our counsel regarding any infringements, challenges or claims, unless you are legally required to do so provided, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations and have the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any Mark. You must execute any instruments and documents, render assistance, take actions, which in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks. (Section 6.C)

We may require you to modify or discontinue use of any Mark, to use one or more additional or substitute trademarks or service marks. We will not be required to reimburse you for your expenses to modify or discontinue the use of a Mark or adopt a substitute mark, or for any loss of goodwill associated with any modified or discontinued mark. (Section 6.E)

You must use the Marks as the sole trade identification of the Franchised Business. You may not use any Mark or part of any Mark as part of any corporate or trade name, in any modified form, nor may you use any Mark in connection with the sale of any unauthorized product or service, or in any other manner which we do not authorize in writing. You must give notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law. (Section 6.B)

You may not establish or operate an Internet site or website using any domain name containing any of the Marks or any variation of the Marks without our written consent. We retain the sole right to advertise using the Marks on the Internet and create a website using the Marks in the domain name and to use any other domain names we may designate in the Manual. We are the sole owner of all right, title and interest in and to such domain names as we designate in the Manual. (Section 6.F)

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own certain copyrights in the Manual(s), marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. You may use these items only as we specify while operating your Franchised Business and must stop using them if we direct you to do so.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We will provide our Confidential Information to you during training, in the Manual and as a result of the assistance we furnish you during the term of the franchise. You may use our Confidential Information only for the purpose of operating your Franchised Business and only within the manner we authorize in writing. You will divulge Confidential Information only to employees who must have access to it in order to operate the Franchised Business. You may not contest our ownership of our trade secrets, methods and procedures. You may not use or disclose any Confidential Information in any manner other than as we permit in writing. You (and if applicable, your shareholders, officers, directors, partners, employees, trustees, members, and managers) agree to: (a) not use our Confidential Information in any other business or capacity; (b) maintain the absolute confidentiality of our Confidential Information during and after the term of the Franchise Agreement; (c) not make any unauthorized copies of any portion of the Confidential Information; and (d) adopt and maintain procedures we prescribe to prevent unauthorized disclosure of the Confidential Information. (Section 7.A)

Certain individuals having access to Confidential Information, including your shareholders, officers, directors, partners, members, managers, employees, trustees or professional staff, may be required to sign nondisclosure and non-competition agreements in a form we approve. (Section 7.D)

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed part of the System which we may choose to adopt and/or disclose to other franchisees. Likewise, we agree to disclose to you ideas, concepts, techniques or materials developed by other franchisees, which are made a part of the System. You agree to assist us in obtaining property rights in any such item disclosed to us if requested by us. (Section 7.B)

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

The Franchised Business shall at all times be under the direct, on-premises supervision of either you, if you are an individual, or if you are a business entity, such as a corporation, limited liability company, business trust, or partnership, your Designated Manager. (Section 13.H) If you replace a Designated Manager for any reason, he or she must satisfactorily complete our training program. (Section 9.C) . The Designated Manager is not required to have an ownership interest in the Franchised Business.

All shareholders, officers, directors, partners, members, managers, employees, trustees or professional staff are presumed to have access to Confidential Information, described in ITEM 14, and may be required to sign a nondisclosure and non-competition agreement in a form approved by us to maintain the confidentiality of the Confidential Information described in ITEM 14 and conform with the covenants not to compete similar to those described in ITEM 17. (Section 7.D)

We require each individual who owns a 5% or greater interest in the entity to sign the "Guaranty and Assumption of Obligations" attached to the Franchise Agreement as Exhibit F. The Guaranty requires those who sign it to pay all monetary obligations under the Franchise Agreement and to perform and fulfill all other promises, obligations and duties you must perform under the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Unless you operate the Franchised Business from an office within your principal residence, you must use the Franchise Premises solely for the operation of the Franchised Business; must keep the Franchised Business open and in normal operation as specified in the Manual; must refrain from using or permitting the use of the Franchise Premises for any other purpose or activity at any time without first obtaining our written consent; and must take prompt action to ensure the safety of the Franchise Premises and the service vehicles. You may only provide authorized services and products that are within the scope of a business providing landscaping illumination products. You must comply with all of our reasonable requirements in that regard.

You must operate the Franchised Business in strict conformity with all applicable federal, state and local laws, rules and regulations. These laws, rules and regulations vary from jurisdiction to jurisdiction and are amendable and may be implemented or interpreted in different manners over time. It is solely your responsibility to apprise yourself of the existence and requirements of all laws, rules and regulations applicable to the Franchised Business and to adhere to them.

We may periodically change required or authorized products or services. There are no limits on our right to do so. If we change, modify or improve the System, you may be required to add or replace equipment, signs, and make improvements or modifications as necessary to maintain uniformity with our current standards and specifications. (Section 12.B)

You must maintain the Franchised Business, including the equipment, in "like new" condition and repair or replace damaged, worn out, unsafe or obsolete equipment, tools, computer hardware, signs and like items at the Franchised Business. (Section 13.F)

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular. **You should refer to any state-specific addenda attached to this Offering Circular for exceptions to this ITEM 17.**

PROVISION		SECTION IN THE FRANCHISE AGREEMENT	SUMMARY
a.	Term of the franchise	Section 4.A, Supply Agreement, Section 20.	5 years
b.	Renewal or extension of the term	Section 4.B	Renewable for 3 additional successive terms of 5 years each.
c.	Requirements for you to renew or extend	Section 4.B.1 - 4.B.8	Substantially comply with the provisions of the Franchise Agreement; have access to and right to retain possession of the Franchise Premises or suitable substitute location; provide notice of intent to renew; sign a current Franchise Agreement; make capital expenditures as necessary to maintain uniformity with any of our required System modifications; meet current qualifications and training requirements; sign a general release unless prohibited by law; satisfy all monetary obligations to us or an Affiliate.
d.	Termination by you	Section 17.A	If you are in compliance, and we materially breach the Franchise Agreement and fail to cure or fail to begin to cure within 30 days of receiving your written notice.
e.	Termination by us without cause	Section 21	We may terminate the Franchise Agreement at any time by refunding your Franchise Fee and releasing you from your post-termination non-competition obligations under Section 16.B (see row "r" of this table below)
f.	Termination by us with cause	Section 17.B	We may terminate the Franchise Agreement if you default.
g.	"Cause" defined-defaults which can be cured	Section 17.B.2	If you fail to make payments due us; fail to meet the minimum annual purchase requirements; buy, sell, or use competing or substitute products or equipment; or fail to comply with mandatory specifications in the Franchise Agreement or Manual, you generally have 30 days to cure, except for defaults included in (h) below.
h.	"Cause" defined-defaults which cannot be cured	Section 17.B.1., Supply Agreement, Section 19	Noncurable defaults of the Franchise Agreement: failure to establish and equip the Franchise Premises and the service vehicles; failure to satisfactorily complete training; making a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony or other crime or offense that can adversely affect the reputation of either party or the Franchised Business; any unauthorized use of the Manual and trade secrets or Confidential Information; abandonment of the Franchised Business for 5 consecutive days; surrenders or transfers control of Franchised Business in an unauthorized manner; you are adjudicated bankrupt, insolvent or make a

PROVISION		SECTION IN THE FRANCHISE AGREEMENT	SUMMARY
			<p>general assignment for the benefit of creditors; misuse of the Marks; failure to submit reports, records or payments on 3 or more separate occasions in any 12 month period; violate any health, safety or other laws or conducts the Franchised Business in a manner creating a health or safety hazard; installs or sells products in another franchisee's protected territory without our written permission.</p> <p>Noncurable defaults of the Supply Agreement: failure to pay an invoice when due, failure to perform obligations, default of Franchise Agreement, sale, relocation or transfer of Products except in the ordinary course of business, you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; any attempt by another to garnish or attach the Product.</p>
i.	Your obligations on termination/non-renewal	Section 18.A, Conversion Addendum, Section 18A.2	<p>Stop operations of the Franchised Business; assign or sublease the remainder of the lease for the Franchised Business to us; stop using the System, the Marks and any Confidential Information or proprietary material; cancel or if we request, assign any assumed names containing the Marks to us; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Manual, all manuals, copyrighted or other proprietary material and Confidential Information; assign your telephone and facsimile numbers and listings to us as requested; comply with the covenants not to compete and any other surviving provision.</p> <p>If your Franchised Business is a conversion, you are not obligated to assign your interest in the Approved Location to us, as stated above.</p>
j.	Assignment of contract by us	Section 19.A, Supply Agreement, Section 21	<p>There are no restrictions on our right to assign except that the assignee must be financially responsible and economically capable of performing the obligations contained in the Franchise Agreement.</p> <p>There are no restrictions on our Affiliate's right to assign the Supply Agreement.</p>
k.	"Transfer" by you-definition	Section 19.B	Includes transfer of Franchise Agreement, ownership of franchisee entity or sale of assets.
l.	Our approval of transfer by you	Section 19.B	No transfer without our prior written consent.
m.	Conditions for our	Sections 19.B.1 - 19.B.10	All obligations owed to us must be paid; unless prohibited by law, you and the

PROVISION		SECTION IN THE FRANCHISE AGREEMENT	SUMMARY
	approval of transfer		transferee must sign a general release; the transferee must meet our qualifications; transferee must sign the current Franchise Agreement; you must provide us with all contracts and agreements relating to the transfer; you have paid a transfer fee of \$5,000; transferee must obtain all required consents and approvals; you agree to continue to be bound to the obligations of the new Franchise Agreement and to guarantee the transferee's performance; transferee must satisfactorily complete the training program; and you and your owners execute a nondisclosure and non-competition agreement.
n.	Our right of first refusal to acquire your Franchised Business	Section 20	We can match any offer for the Franchised Business or an ownership interest you propose to sell.
o.	Our option to purchase your Franchised Business	Section 18.B	We are not obligated to do so, but, if the franchise is terminated or expires, we may purchase the assets of the Franchised Business at the lesser of cost or fair market value.
p.	Your death or disability	Section 19.G	Your heirs, beneficiaries, devisees or legal representatives can apply to us to continue operation of the Franchised Business, or sell or otherwise transfer interest in the Franchised Business within 6 months of death or incapacity. If they fail to do so, the Franchise Agreement will terminate and we will have the option to buy the Franchised Business.
q.	Non-competition covenants during the term of the franchise	Section 16.A	During the term of the Franchise Agreement, neither you, nor your Designated Manager, nor any Affiliate, nor any officer, director, member, trustee, general partner nor other owner may divert or attempt to divert any business or customer of the Franchised Business to any competitor or engage in any act injurious to the goodwill associated with the Marks or the System; own or otherwise have any interest in any Competitive Business.
r.	Non-competition covenants after the franchise is terminated or expires	Section 16.B	No individual franchisee, any owner, officer, director, trustee, or executive of a non-individual franchisee, or any Affiliate, Designated Manager, or professional staff of the franchisee may: be involved in any Competitive Business for 2 years within 50 miles of the Franchised Business or within 50 miles of any other franchisor or franchisee-owned NITELITES Business; or solicit or attempt to solicit any of our employees or other business associates.

PROVISION		SECTION IN THE FRANCHISE AGREEMENT	SUMMARY
s.	Modification of the agreement	Section 23.G	The Franchise Agreement can be modified only by written agreement between you and us. The Manual is subject to change but will not materially alter your fundamental rights.
t.	Integration/merger clause	Section 23.G	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 24.G Supply Agreement, Section 28	Except for claims relating to the Marks or Confidential Information, all disputes must be mediated in Cincinnati, Ohio, before resorting to litigation. Please see the state specific addenda.
v.	Choice of forum	Section 24.B , Supply Agreement, Section 30	Except for certain claims, any litigation must be pursued in courts located in Cincinnati, Ohio or in the United States District Court for the State of Ohio, located in Warren, County, Ohio, unless your state law prohibits.
w.	Choice of law	Section 24.A, Supply Agreement, Section 29	Ohio law governs (subject to your state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.). Please see the state specific addenda.

These states have statutes which may supersede the Franchise Agreement concerning your relationship with us, including the areas of termination, renewal and transfer of the franchise and dispute resolution of the franchise: ARKANSAS (Ark. Code Ann. Sections 4-72-201 to 4-72-210); CALIFORNIA (Cal. Bus. & Prof. Code Sections 20000 to 20043); CONNECTICUT (Conn. Gen. Stat. Ann. Sections 42-133e to 42-133h); DELAWARE (Del. Code Ann. Tit. 6 Sections 2551 to 2556); DISTRICT OF COLUMBIA (D.C. Code Ann. Sections 29-1201 to 29-1208); FLORIDA (Stat., Section 542.335); HAWAII (Haw. Rev. Stat. Sections 482E-1 to 482E-12); ILLINOIS (Ill. Rev. Comp. Ch. 815, Sections 705/1 to 705/44); INDIANA (Ind. Code Ann. Sections 23-2-2.7-1 to 23-2-2.7-7); IOWA (Iowa Code, Ch. 523H, Sections 523H.1 to 523H.17); LOUISIANA (La. Rev. Stat. Ann. Tit. 23, Sections 921[E] and Tit. 12, Section 1042); MICHIGAN (Mich. Comp. Laws, Sections 445.1527 & 445.1535); MINNESOTA (Minn. Stat. Section 80C.14 and Minnesota Rules, Department of Commerce, Section 2860.4400); MISSISSIPPI (Miss. Code Ann. Sections 75-24-51 to 75-24-63); MISSOURI (Mo. Rev. Stat. Sections 407.400 to 407.420); NEBRASKA (Neb. Rev. Stat. Sections 87-401 to 87-410); NEW JERSEY (N.J. Rev. Stat. Sections 56:10-1 through 56:10-12); NORTH CAROLINA (Chpt. 22B, Sec. 3); PUERTO RICO (Ann., Sections 278 to 278d); SOUTH DAKOTA (S.D. Codified Laws, Section 37-5A-51); VIRGIN ISLANDS (Code, Sections 130-139); VIRGINIA (Va. Code Ann. Sections 13.1-557 through 13.1-574); WASHINGTON (Wash. Rev. Code Sections 19.100.180 to 19.100.190); WISCONSIN (Wis. Stat. Sections 135.01 to 135.07).

These and other states may have court decisions which may supersede the Franchise Agreement concerning your relationship with us, including the areas of termination and renewal of the franchise.

ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote the franchise or the NITELITES System.

ITEM 19. EARNINGS CLAIM

We do not furnish nor authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a NITELITES Business. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

ITEM 20. LIST OF OUTLETS

FRANCHISED BUSINESS STATUS SUMMARY FOR THE YEAR ENDING DECEMBER 31, 2005/2004 ¹							
State	Transfers	Cancelled or Terminated	Not Renewed	Reacquired By Company	Left The System Other	Total From Left Columns	Franchises Operating At Year End
California	0/0	0/0	0/0	0/0	0/0	0/0	1/0
Florida	0/0	0/0	0/0	0/0	0/0	0/0	8/1
Georgia	0/0	0/0	0/0	0/0	0/0	0/0	1/0
Indiana	0/0	0/0	0/0	0/0	0/0	0/0	1/0
Missouri	0/0	0/0	0/0	0/0	0/0	0/0	1/1
North Carolina	0/0	0/0	0/0	0/0	0/0	0/0	2/0
Ohio	0/0	0/0	0/0	0/0	0/0	0/0	2/0
South Carolina	0/0	0/0	0/0	0/0	0/0	0/0	1/0
Tennessee	0/0	0/0	0/0	0/0	0/0	0/0	1/0
Texas	0/0	0/0	0/0	0/0	0/0	0/0	1/0
Total	0/0	0/0	0/0	0/0	0/0	0/0	19/2

The names, business addresses and telephone numbers of all NITELITES locations, including those operated by Affiliates or individuals listed in Item 2, are listed on Exhibit F. The names and last known home addresses and telephone numbers of all NITELITES franchisees who have had an outlet terminated, cancelled, not renewed, otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the application date, are listed on Exhibit G.

STATUS OF COMPANY AND AFFILIATE-OWNED BUSINESSES FOR THE YEARS ENDING DECEMBER 31, 2005/2004/2003			
STATE	BUSINESSES CLOSED DURING YEAR	BUSINESSES OPENED DURING YEAR	TOTAL BUSINESSES OPERATING AT YEAR END
Florida	0/0/0	1/0/0	1/0/0

¹ We began offering NITELITES franchises in August 2004.

STATUS OF COMPANY AND AFFILIATE-OWNED BUSINESSES FOR THE YEARS ENDING DECEMBER 31, 2005/2004/2003			
South Carolina	0/0/0	0/0/0	1/1/1
Total	0/0/0	0/0/0	2/1/1

We do not operate any outlets similar to the Franchised Business. The businesses listed in the above table are owned by one or more of the individuals listed in Item 2 of this offering circular.

PROJECTED OPENINGS AS OF DECEMBER 31, 2005			
STATE	FRANCHISE AGREEMENTS SIGNED BUT FRANCHISED BUSINESS NOT OPEN	PROJECTED NEW FRANCHISED BUSINESSES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED BUSINESSES
Arizona		2	
California		1	
Florida		2	
Illinois		1	
Kansas		1	
Massachusetts		1	
Michigan		1	
Nevada			1
Missouri		1	
New Jersey		1	
New York		1	
Pennsylvania		1	
Texas		2	
Total	0	15	1

The number of new franchised and company-owned locations projected to be opened in the next fiscal year, as presented in the table above, is an estimate based on the best information we have as of the date of this offering circular. There is no assurance that the actual number of openings, or the states in which we projected the openings, will be the same as our estimates.

ITEM 21. FINANCIAL STATEMENTS

Our audited financial statements for our last fiscal year and for the period from January 21, 2004 (the date of our inception) through December 31, 2004 are attached as Exhibit E.

Our fiscal year ends December 31.

ITEM 22. CONTRACTS

The following contracts are attached to this Offering Circular:

1. Franchise Agreement (Exhibit C), including the following exhibits to the Franchise Agreement:

A. Designated Area

- B. Protected Territory
- C. Conversion Addendum
- D. Call Center Service Agreement
- E. NITELITES Products and Equipment Supply Agreement
- F. Guaranty and Assumption of Obligations
- G. State Addenda (if applicable in your state)

2. Franchisee Disclosure Questionnaire (Exhibit H)

We provide no other contracts or agreements for your signature.

ITEM 23. RECEIPT

Our and your copies of the Franchise Offering Circular Receipt are located on the last 2 pages of this Offering Circular.