ReBath, LLC
(a wholly-owned subsidiary of AmBath/ReBath, LLC)
(a limited liability company)

Financial Statements

December 31, 2005 and 2004

(With Independent Auditor's Report Thereon)

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CERTIFIED PUBLIC ACCOUNTANTS
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As independent public accountants, we consent to the inclusion of our report dated February 17, 2006 with respect to ReBath LLC's financial statements as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003 in the franchisee offering circular of ReBath, LLC for distribution to prospective ReBath, LLC franchisees and for filing with states requiring registration of franchise offers, sales or both.

/s/ Maggart & Associates, P.C.
Maggart & Associates, P.C.
Certified Public Accountants

Nashville, Tennessee
February 17, 2006

MAGGART & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Members
ReBath, LLC:

We have audited the accompanying balance sheets of ReBath, LLC (a wholly-owned subsidiary of AmBath/ReBath, LLC) as of December 31, 2005 and 2004 and the related statements of income, member's equity and cash flows for the years ended December 31, 2005, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReBath, LLC as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years ended December 31, 2005, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America.

Maggart & Associates, P.C.

Nashville, Tennessee
February 17, 2006

ReBath, LLC
(a limited liability company)

Balance Sheets

December 31, 2005 and 2004

		2005	2004
ASSETS			
Current assets:			
Cash and cash equivalents	$	69,675	48,752
Trade accounts receivable, net of allowance for doubtful accounts		1,973,749	1,083,821
Notes receivable - trade		428,442	504,720
Inventory		163,255	147,087
Prepaid expenses		36,959	109,999
Other receivables		47,122	5,713
Due from AmBath, LLC		1,015,615	1,020,522
Due from AmBath/ReBath, LLC		6,154,188	4,795,574
Total current assets		9,889,005	7,716,188
Property and equipment, net		168,616	182,369
Intangible assets, net		2,347,420	2,794,559
Total assets	$	12,405,041	10,693,116
LIABILITIES AND MEMBER'S EQUITY			
Current liabilities:			
Short-term borrowings	$	25,000	183,333
Accounts payable		258,346	97,602
Customer deposits		36,628	164,074
Accrued expenses		141,397	236,296
Other liabilities		1,040	134,423
Current portion of long-term debt		517,371	404,061
Total current liabilities		979,782	1,219,789
Long-term liabilities:			
Long-term debt, non-current		748,921	1,273,987
Total liabilities		1,728,703	2,493,776
Member's equity:			
Member's equity - contributed capital		2,904,366	2,904,366
Accumulated earnings		7,771,972	5,294,974
Total member's equity		10,676,338	8,199,340
Total liabilities and member's equity	$	12,405,041	10,693,116

See accompanying notes to financial statements.

ReBath, LLC
(a limited liability company)

Statements of Income

For the Years Ended December 31, 2005, 2004 and 2003

	2005	2004	2003
Revenues:			
Product sales	$ 17,105,824	12,543,487	10,159,764
Franchise fees and royalties	844,705	989,021	1,051,177
Total revenue	17,950,529	13,532,508	11,210,941
Cost of goods sold:			
Product costs	11,642,762	7,734,492	6,362,052
Franchise costs	583,798	365,943	338,670
Total cost of goods sold	12,226,560	8,100,435	6,700,722
Gross profit from operations	5,723,969	5,432,073	4,510,219
General and administrative expense	2,551,796	2,221,337	2,086,776
Income from operations	3,172,173	3,210,736	2,423,443
Other income (expense):			
Interest income	3,567	10,502	11,499
Gain on extinguishment of debt	-	38,677	-
Amortization of other intangible assets	(452,168)	(452,544)	(446,952)
Interest expense, including amortization of loan discounts	(245,096)	(372,287)	(380,853)
Miscellaneous expense	(1,478)	(1,823)	(92)
Total other expense	(695,175)	(777,475)	(816,398)
Net income	$ 2,476,998	2,433,261	1,607,045

See accompanying notes to financial statements.

ReBath, LLC
(a limited liability company)

Statements of Member's Equity

For the Years Ended December 31, 2005, 2004 and 2003

	Member's Equity	Accumulated Earnings	Total
Balance, December 31, 2002	$ 2,904,366	1,254,668	4,159,034
Net income	-	1,607,045	1,607,045
Balance, December 31, 2003	2,904,366	2,861,713	5,766,079
Net income	-	2,433,261	2,433,261
Balance, December 31, 2004	2,904,366	5,294,974	8,199,340
Net income	-	2,476,998	2,476,998
Balance, December 31, 2005	$ 2,904,366	7,771,972	10,676,338

See accompanying notes to financial statements.

ReBath, LLC
(a limited liability company)

Statements of Cash Flows

For the Years Ended December 31, 2005, 2004 and 2003

Increase (Decrease) in Cash and Cash Equivalents

	2005	2004	2003
Cash flows from operating activities:			
Cash collected on sales, franchise fees, and royalties	$ 17,078,470	12,953,187	10,647,739
Cash paid to vendors and employees	(14,724,339)	(10,288,656)	(8,781,557)
Interest and other income received	2,004	8,679	11,407
Interest paid	(160,020)	(220,349)	(306,055)
Net cash provided by operating activities	2,196,115	2,452,861	1,571,534
Cash flows from investing activities:			
Advances to affiliates, net	(1,353,707)	(1,813,353)	(935,963)
Purchase of property and equipment	(35,842)	(101,204)	(32,019)
Increase in intangible assets	(5,029)	(33,559)	-
Proceeds from sale of property and equipment	1,998	-	-
Net cash used in investing activities	(1,392,580)	(1,948,116)	(967,982)
Cash flows from financing activities:			
Decrease (increase) in book overdraft	-	(85,232)	42,530
Repayment of notes payable	(496,833)	(699,686)	(596,883)
Issuance (payment) of short-term borrowings, net	(158,333)	183,333	-
Increase (decrease) in customer deposits	(127,446)	142,309	(51,486)
Net cash used in financing activities	(782,612)	(459,276)	(605,839)
Net increase (decrease) in cash	20,923	45,469	(2,287)
Cash and cash equivalents, beginning of period	48,752	3,283	5,570
Cash and cash equivalents, end of year	$ 69,675	48,752	3,283

See accompanying notes to financial statements.

ReBath, LLC
(a limited liability company)

Statements of Cash Flows, Continued

For the Years Ended December 31, 2005, 2004 and 2003

Increase (Decrease) in Cash and Cash Equivalents

	2005	2004	2003
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 2,476,998	2,433,261	1,607,045
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	584,927	637,482	548,007
Gain on extinguishment of debt	-	(38,677)	-
Gain on sale of property and equipment	(85)	-	-
Increase in accounts receivable - trade	(906,928)	(427,976)	(424,699)
Increase in allowance for doubtful accounts	17,000	38,936	6,064
(Increase) decrease in notes receivable - trade	76,278	(145,632)	(152,149)
Increase in inventory	(16,168)	(21,289)	(45,502)
(Increase) decrease in prepaid expenses and other assets	31,631	(15,639)	(49,673)
Increase (decrease) in accounts payable	160,744	(63,342)	136,358
Increase (decrease) in other liabilities	(133,383)	116,820	(40,667)
Decrease in accrued expenses	(94,899)	(61,083)	(13,250)
Net adjustments	(280,883)	19,600	(35,511)
Net cash provided by operating activities	$ 2,196,115	2,452,861	$ 1,571,534

See accompanying notes to financial statements.

(1) *Organization*

ReBath, LLC ("The Company") is a wholly-owned subsidiary of AmBath/ReBath, LLC. Effective January 18, 2002 ("date of inception") AmBath/ReBath, LLC acquired the assets of AmBath Corporation, Inc., ReBath Corporation, Inc. and other related entities ("The Acquisition"). Simultaneously, AmBath/ReBath, LLC formed two wholly-owned subsidiaries, AmBath, LLC and ReBath, LLC to act as operating entities. In connection with the Acquisition, AmBath/ReBath, LLC contributed certain assets and liabilities to ReBath, LLC.

(2) *Summary of Significant Accounting Policies and General Information*

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the industry. The following is a brief summary of the more significant policies:

(a) *General*

The Company is a Delaware limited liability company that has established, through franchising, a network of franchised dealerships specializing in the installation of ReBath bathtub liners and other products sold under the trademark ReBath. The franchised dealerships operate throughout the United States, Canada, Puerto Rico, the Bahamas and Bermuda.

(b) *Revenue and Expense Recognition*

The Company maintains its accounting records on the accrual basis for both financial statement and income tax purposes. Revenue from franchise fees is recognized when substantially all initial services required by the franchise agreement have been performed.

(c) *Cash and Cash Equivalents*

The Company considers all highly liquid temporary cash investments with low investment risk to be cash equivalents. The Company does periodically maintain cash balances with a Bank in excess of the Federally insured limit.

(d) *Advertising*

The Company primarily expenses advertising and marketing costs as incurred with the exception of promotional items, which are capitalized and expensed as utilized. Total advertising and marketing expense for the years ended December 31, 2005, 2004 and 2003 were $1,094,773 and $931,080 and $1,053,761, respectively.

(2) *Summary of Significant Accounting Policies and General Information, Continued*

(e) *Property and Equipment*

Property and equipment is recorded at cost. Depreciation and amortization for financial reporting purposes is computed on the straight-line method over the estimated useful lives of the depreciable assets. Depreciation and amortization is computed on improvements for the benefit of leases over a period not exceeding the remaining life of the related lease. Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts.

(f) *Amortization*

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) requires that management determine the allocation of intangible assets into identifiable groups at the date of acquisition and appropriate amortization periods be established. In accordance with SFAS No. 142 management has identified the following groups of intangible assets and assigned the following amortization periods on a straight-line basis.

	Amortization Period
Agreement not-to-compete	10 years
Franchise agreements	10 years
Acquisition costs	5 years
Bank fees	3 - 5 years

(g) *Receivables and Allowance for Doubtful Accounts*

The Company recognizes receivables in accordance with generally accepted accounting principles. Management periodically reviews receivables for impairment and will write-off or provide adequate allowance for the doubtful accounts identified.

The provision for doubtful accounts represents a charge to earnings necessary, after charge-offs of specifically identified accounts and recoveries of previously charged-off accounts, to maintain an allowance for doubtful accounts at an appropriate level which is adequate to absorb estimated losses inherent in the recorded receivable balances.

(2) *Summary of Significant Accounting Policies and General Information, Continued*

(h) *Income Tax*

No provision for taxes on income is made in the financial statements. All taxable income and losses are allocated to members for inclusion in their respective tax returns.

(i) *Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, including accounts receivable and inventory valuations, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to determination of allowance for doubtful accounts and allowance for excess and obsolete inventory. Estimates related to the intangible assets are also subject to significant change.

(j) *Reclassifications*

Certain reclassifications have been made to 2004 and 2003 financial information to conform with the 2005 presentation.

(3) *Accounts Receivable*

Accounts receivable are summarized as follows:

	2005	2004
Accounts receivable	$ 2,045,749	1,138,821
Less allowance for doubtful accounts	(72,000)	(55,000)
	$ 1,973,749	1,083,821

(4) *Notes Receivable - Trade*

The trade notes receivable are due within the current business cycle. Interest outstanding as of December 31, 2005 and 2004 was $865 and $3,153, respectively. The Company may terminate its dealer agreement with the franchisee in the case of default.

(5) Property and Equipment

A summary of property, plant and equipment as of December 31, 2005 and 2004 is as follows:

	2005	2004
Leasehold improvements	$ 90,983	85,696
Computer equipment	47,383	41,633
Furniture, fixtures and office equipment	84,637	59,832
Vehicles	69,282	71,891
	292,285	259,052
Less: accumulated depreciation	123,669	76,683
	$ 168,616	182,369

Depreciation expense for the years ended December 31, 2005, 2004 and 2003 totaled $47,682, $33,000 and $26,258, respectively. During 2005, an asset was sold with gross proceeds of $1,998 resulting in a gain of $85.

(6) Intangible Assets

The following is a summary of intangible assets at December 31, 2005 and 2004:

	2005		
	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Non-compete agreement	$ 160,000	62,663	97,337
Franchise agreements	3,553,730	1,391,881	2,161,849
Bank fees	89,396	65,671	23,725
Acquisition costs	308,545	244,036	64,509
	$ 4,111,671	1,764,251	2,347,420

(6) *Intangible Assets, Continued*

	2004		
	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Non-compete agreement	$ 160,000	46,663	113,337
Franchise agreements	3,553,730	1,036,508	2,517,222
Bank fees	84,367	46,585	37,782
Acquisition costs	308,545	182,327	126,218
	$ 4,106,642	1,312,083	2,794,559

Amortization expense for the years ended December 31, 2005, 2004 and 2003 totaled $452,168, $452,544 and $446,952, respectively.

A summary of estimated amortization expense for the five years subsequent to 2005 follows:

Year Ending December 31,	Amortization Expense
2006	$ 445,933
2007	381,434
2008	372,063
2009	371,364
2010	371,364

(7) *Related Party Transactions*

The Company obtains 100% of its major products from AmBath, LLC. Additionally, there are administrative costs incurred by AmBath, LLC, which are reimbursed by ReBath, LLC. The two companies qualify as related parties due to common ownership.

(8) *Employee Benefit Plan*

The Company adopted an employee benefit plan for its employees pursuant to Section 401(k) of the Internal Revenue Code. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. A portion of the employees' contributions is matched by the Company. Employees are eligible if they have attained the age of 21 years and have completed six months of service. Total matching contributions to the plan were $16,495, $7,180 and $5,704 for the years ended December 31, 2005, 2004 and 2003, respectively.

(9) Short-Term Borrowings

AmBath/ReBath, LLC has entered into an agreement with a bank for a $1,500,000 line-of-credit. The line-of-credit bears interest at a variable rate of prime plus .25% (7.50% at December 31, 2005). The line matures on August 1, 2006 and requires monthly interest payments. The line is secured by virtually all assets of the Company. As of December 31, 2005, AmBath/ReBath, LLC had drawn $75,000 on the line of which $25,000 has been allocated to ReBath, LLC and is reflected in current liabilities in the financial statements. The amount drawn on the line is limited to 80% of eligible receivables and 50% of eligible inventory as defined in the loan agreement. As of December 31, 2005, the entire amount of the line-of-credit was available.

(10) Long-Term Notes Payable

As discussed in note 1, certain assets and liabilities of ReBath, LLC's sole shareholder, AmBath/ReBath, LLC were contributed to ReBath, LLC in conjunction with the Acquisition. ReBath, LLC is a 100% guarantor on all debt owed by AmBath/ReBath, LLC. The following is a summary of the terms of the debt obligations for which ReBath, LLC is responsible as a guarantor. For presentation purposes only, ReBath, LLC's allocated share has been presented for financial statement presentation. The remaining obligations have been allocated to AmBath, LLC, a wholly-owned subsidiary of AmBath/ReBath, LLC.

AmBath/ReBath, LLC entered into a $3,500,000, senior note payable with a bank of which $1,166,666 has been allocated to ReBath, LLC, which bears interest at prime plus 2.5% (9.25% at December 31, 2005). During 2004, AmBath/ReBath, LLC took an additional advance on the senior note payable. The proceeds from the 2004 draw were used in part to pay-off the $2,500,000 note to former owners discussed below and to make partial pay-offs of the two subordinated notes discussed below. The loan is secured by substantially all assets of the Company and the members have pledged their equity interests. In addition to the scheduled payments, any quarterly excess cash, as defined in the lending agreement, is to be paid to reduce the principal balance at the option of the bank. In conjunction with the issuance of the debt, the bank received warrants to purchase 2.5% of AmBath/ReBath, LLC at $.01 per unit. A value was assigned to the warrants resulting in a discount to be amortized over the life of the original loan. As of December 31, 2004, the discount was fully amortized. Among other things, the debt agreement contains requirements as to maintenance of minimum levels of working capital and net worth and places certain restrictions on the issuance of additional debt or membership interests, distribution to members, capital expenditures and sales or acquisition of assets. As of December 31, 2005, the Company was in compliance with such covenants.

(10) ***Long-Term Notes Payable, Continued***

During 2005, AmBath/ReBath, LLC entered into an additional $1,000,000 note with the senior lender of which $333,333 has been allocated to ReBath, LLC. The proceeds were primarily used to pay-off one of the subordinated notes discussed below. The note's security and operating terms are similar to the existing senior note.

In connection with the Acquisition, AmBath/ReBath, LLC issued a $2,500,000 note to former owners of which $833,333 was originally allocated to ReBath, LLC. The note was paid in full during 2004. As an inducement to make an early payoff, the noteholder agreed to a reduction in the pay-off amount approximating $116,000 of which ReBath, LLC's proportionate share of approximately $39,000 has been included as gain on extinguishment of debt for 2004 in the accompanying financial statements.

AmBath/ReBath, LLC issued two subordinated notes in conjunction with the Acquisition. One note is for $2,000,000, of which $666,667 was originally allocated to ReBath, LLC, to a lender bearing interest at a fixed rate of 12%, payable in quarterly interest installments commencing April, 2002, with all remaining interest and principal due January, 2007. The note was paid in full during 2005. The second note for $2,600,000, of which $866,667 was originally allocated to ReBath, LLC by its sole shareholder, AmBath/ReBath, LLC to lender bearing interest at a fixed rate of 12%, payable in quarterly interest installments commencing April, 2002, with all remaining principal and interest due January, 2007. The notes are secured by virtually all assets of the Company but are subordinate to the senior debt and revolving line of credit. The notes are also secured by a $5,000,000 life insurance policy on the chief executive officer. In conjunction with the issuance of the debt, the lenders received warrants to purchase a combined 27% of AmBath/ReBath, LLC at $.01 per unit. A value has been assigned to the warrants resulting in a discount to be amortized over the life of the loan. Upon full repayment, the remaining discount related to the $2,000,000 loan was fully amortized. Both loans contain restrictive covenants similar to those contained in the senior debt. As of December 31, 2005, the Company was in compliance with the covenants.

ReBath, LLC entered into a note to finance certain vehicles, which bears interest at prime (7.25% at December 31, 2005). The note is collateralized by the two vehicles purchased and right of set-off against deposits in the lender's institution. The note is payable in forty-seven monthly payments of $1,616 through September 1, 2008.

(10) Long-Term Notes Payable, Continued

The following summarizes the allocated portion of the long-term notes payable of the Company as of December 31, 2005 and 2004:

		2005	2004
9.25% variable rate senior note payable to a bank.	$	570,345	997,515
9.25% variable rate senior note payable to bank.		268,519	-
12% fixed rate subordinate debt payable to a lender. Paid in full in 2005. (net of $54,858 of unamortized discount in 2004).		-	267,225
12% fixed rate subordinated debt payable to a lender. Effective interest rate of 22.2%. (Net of $41,084 and $71,301 of unamortized discount).		378,500	348,283
7.25% variable rate vehicle loan to a bank.		48,928	65,025
Long-term debt		1,266,292	1,678,048
Less: Current installments, net of discounts		517,371	404,061
Long-term debt, excluding current installments, net of discount	$	748,921	1,273,987

Future principal maturities exclusive of discounts under these notes are as follows: 2006 - $517,371, 2007 - $730,376 and 2008 - $59,629.

Subsequent to year end the second subordinated note was paid in full.

(11) Commitments and Contingencies

AmBath/ReBath, LLC has entered into certain leasing arrangements for Company facilities for which ReBath, LLC is a guarantor. The lease is for ten years beginning January, 2002, with an initial base rent of $10,661 with annual inflationary increases.

Total rent expense for the years ended December 31, 2005, 2004 and 2003 totaled $20,252, $14,908 and $14,167, respectively.

The Company is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the financial position.