ITEM 1: THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify this offering circular, "PDRI" or "Franchisor" means Paul Davis Restoration, Inc., the franchisor. "You" means the franchisee, and includes a corporation, partnership or other legal entity and the individual owner(s) of the entity.

CORPORATE HISTORY

PDRI was incorporated in Florida in 1967. Prior to February 2, 2000, PDRI did business under the name of "Paul W. Davis Systems, Inc.", and under the trade name "Paul Davis Systems®". On January 1, 2000, PDRI adopted the trade name "Paul Davis Restoration®" and on February 2, 2000, PDRI changed its corporate name from Paul W. Davis Systems, Inc. to "Paul Davis Restoration, Inc." On November 14, 1997, The Franchise Company (U.S.) Inc., a Delaware corporation, acquired PDRI. PDRI has no predecessors.

PDRI began its operations as an insurance restoration structural renovation specialist in 1967. It created its first two Paul Davis Restoration® franchises in January 1970. Both franchises were substantially the same as those offered in this offering circular except that they did not include the "Optional Programs", discussed below. PDRI currently has approximately 218 franchises of which 215 are in operation. All of these franchises are substantially similar to the franchise described in this offering circular.

BUSINESS ADDRESSES

The address of PDRI's principal place of business is One Independent Drive, Suite 2300, Jacksonville, FL, 32202. Its telephone number is (904) 737-2779.

PDRI's Agent for Service of Process in your state is disclosed in Exhibit D.

THE PDRI FRANCHISE BUSINESS

PDRI licenses franchise rights to use PDRI's trade name, logo, Operations Manual, business systems and computer programs for the operation of a general contracting business specializing in structural renovation and repair primarily in the insurance restoration market. In addition, PDRI offers certain Optional Programs for the operation of cleaning services and other specialized contracting services. The basic structural renovation and repair services provided under the name "Paul Davis Restoration®" are primarily promoted to the insurance restoration markets. Services offered under the Optional Programs are promoted to both the general public and the insurance restoration markets.

Current Optional Programs include the Commercial Program and the Remodeling Program. PDRI or its affiliates may develop and offer other Optional Programs in the future. You may choose to participate in any of these Optional Programs, but additional fees, training and other qualifications may be required. In addition, your election to participate in an Optional Program may affect your requirements for inventory, equipment, supplies, personnel and operating capital.

The franchise training and software are intended to increase the speed and efficiency with which you, acting as general contractor, may restore and clean damaged facilities, remodel existing facilities and engage in other construction activities and various cleaning and other services. You will compete with other general contractors and specialty contracting businesses in your local area for insurance restoration, cleaning work and other specialty contracting work. You will receive a Paul Davis Restoration® Operations Manual (the "Operations Manual") and a Paul Davis Restoration® Procedures Manual (the "Procedures Manual"), which describes in detail the procedures required to operate a Paul Davis Restoration® insurance restoration franchise. You must comply with certain procedures in the Operations Manual. If you choose to participate in any Optional Programs you may be required to comply with additional obligations such as maintaining designated PDRI-trained personnel and a separate telephone line dedicated to each of the Optional Programs, as well as other obligations.

PDRI has developed a proprietary software system (the "PDRI Software") which enables the user to estimate the cost of restoring damaged facilities and remodeling existing facilities, engage in other construction activities and provide various cleaning services; produce detailed work orders showing production costs for each phase of any construction activity; maintain current cost figures, sales records, commission accounts, records of customers and associates, and other business records; and maintain detailed records for each construction activity (including work orders, draw requests, change orders, jobs in progress, accounts receivable, accounts payable, workman's compensation audits, check writing, and job closings) for estimating and managing restoration work projects. If you acquire a franchise, PDRI grants you the nonexclusive license to use the PDRI Software in operating the Paul Davis Restoration® franchise in your territory during the term of the Franchise Agreement following the procedures in the Operations Manual. Specific functionality of the software programs is subject to change, at PDRI's discretion, as are business practices, operating procedures, technology, and non-proprietary software. The PDRI Software integrates and requires the use of a designated third party estimating system and a designated third party accounting package that must be purchased independently by each Paul Davis Restoration® franchise. In addition, some insurance companies may require the use of other third party software for generating and submitting estimates. You must acquire a computer system, including Internet access, compatible with the PDRI Software. See Item 11 for computer hardware specifications.

You must participate as a member in the PDRI Franchise Councils (described in Item 6), and you may, through such Councils and subject to PDRI's consent, effect changes in the Operations Manual. See Franchisors Obligations, Item 11.

PDRI and its affiliates retain the right to operate one or more Paul Davis Restoration® businesses as company outlets. As of the date of this offering circular, PDRI has no company outlets. PDRI and its affiliates reserve the right to participate in other businesses, including related businesses.

SPECIAL INDUSTRY REGULATIONS

PDRI franchisees must comply with state and local laws that regulate general contractors. Many states require a general contractor license and some localities also require licensing. As a general contractor, you may have worker's compensation liability for employees of your subcontractors if they fail to maintain the Worker's Compensation Insurance required by state law. You must comply with other laws in your state regulating general contractors. You should consult an attorney in the locality where you intend to operate your franchise to ensure compliance with all applicable state, local and federal laws.

PDRI'S AFFILIATES

The following is a list of PDRI's affiliates including the principal address, a description of the business, and the number of franchises of each. Neither PDRI nor its predecessors nor affiliates presently operate businesses of the type that they franchise, offer franchises in any other line of business or engage in any other type of business.

CALIFORNIA CLOSET COMPANY, INC.

California Closet Company, Inc. is a California corporation with its principal place of business at 1000 Fourth Street, Suite 800, San Rafael, California 94901. California Closet Company, Inc. has offered and sold franchises for the right to operate a franchised business using the California Closet systems and trademarks in the area of customized closet, office, garage, and other storage space design, production, and installation services and related products to both residential and commercial customers since 1980. As of December 31, 2005, California Closet Company, Inc. had 85 franchises in operation in the United States, 8 in Canada and 6 international franchises.

CERTA PROPAINTERS LTD.

Certa ProPainters Ltd. is a Massachusetts corporation with its principal place of business at 150 Green Tree Road, Suite 1003, Oaks, Pennsylvania 19456. The division office for Canada is located at 5397 Eglinton Avenue West, Etobicoke, Ontario, Canada M9C 5K6. Certa ProPainters Ltd. has offered residential and commercial painting and decorating franchises in the United States since the fall of 1992. As of December 31, 2005, 227 Certa ProPainters Ltd. franchises were in operation in the United States as well as 5 total international franchises in the countries of Costa Rica, Guatemala, Dominican Republic, Portugal and Panama.

CERTA PROPAINTERS LTD. (CANADA)

Certa ProPainters Ltd. is a Canadian corporation with its principal place of business at 5397 Eglinton Avenue West, Etobicoke, Ontario, M9C 5K6. Certa ProPainters Ltd. (Canada) is a wholly owned subsidiary of College Pro Painters Ltd., a Canadian Corporation which maintains its principal place of business at 5397 Eglinton Avenue West, Etobicoke, Ontario, M9C 5K6. College Pro Painters Ltd. is wholly owned by The Franchise Company Inc., a Canadian Corporation. Certa ProPainters Ltd. sells residential and commercial painting and decorating franchises, and has done so in Canada since 1990. As of December 31, 2005, 20 franchises were in operation in Canada.

COLLEGE PRO PAINTERS (U.S.) LTD.

College Pro Painters (U.S.) Ltd. is a Maryland corporation with its principal place of business at 71 Second Avenue, Floor 2, Waltham, Massachusetts 02451. College Pro Painters (U.S.) Ltd. sells exterior residential and light commercial painting franchises. College Pro Painters (U.S.) Ltd. has offered and intermittently operated painting franchises in the United States since 1978. All College Pro Painters (U.S.) Ltd. franchises are offered for a one-year term and operate seasonally. During the 2005 season, there were 408 College Pro Painters (U.S.) Ltd. franchises in operation.

COLLEGE PRO PAINTERS LTD.

College Pro Painters Ltd. is a Canadian corporation with its principal place of business at 5397 Eglinton Avenue West, Etobicoke, Ontario, Canada M9C 5K9. College Pro Painters Ltd. sells exterior residential and light commercial painting franchises. College Pro Painters Ltd has offered and intermittently operated painting franchises in Canada since 1972. All College Pro Painters Ltd. franchises are offered for a one-year term and operate seasonally. During the 2005 season, there were 212 College Pro Painters Ltd. franchises in operation.

FLOORCOVERINGS INTERNATIONAL, LTD.

Floorcoverings International, Ltd. is a Georgia corporation with its principal place of business at 5182-B Old Dixie Highway, Forest Park, Georgia 30297. Floorcoverings International, Ltd. has offered and sold franchises in the mobile retail floor covering and window blind business since 1998. As of December 31, 2005, 69 Floorcoverings International, Ltd. franchises were in operation in the US, and 3 in the Province of Ontario, Canada.

PILLAR TO POST INC. (U.S.)

Pillar To Post Inc. is a Delaware corporation with its principal place of business at 13902 North Dale Mabry Highway, Suite 300, Tampa, Florida 33618. Pillar To Post Inc. has offered and sold franchises that provide distinctive residential inspection services for single family and some various smaller multi-family residences, since March 1995. As of December 31, 2005, Pillar To Post had 9 master franchises and 389 individual franchises in operation in the U.S.

PILLAR TO POST INC. (CANADA)

Pillar To Post Inc. is an Canadian corporation with its principal place of business at 5805 Whittle Road, Suite 211, Mississauga, Ontario L4Z 2J1, Canada. Pillar To Post Inc. has offered and sold franchises that provide residential inspection services for single family and various multi-family homes since September 1994. As of December 31, 2005, Pillar To Post had 88 franchises in operation in the Canada.

ACTION WINDOW CLEANERS

Action Window Cleaners Inc. is an Ontario corporation with its principal place of business at 100 Strada Drive, Unit 4, Woodbridge, Ontario, L4L 5V7, Canada. Action uses a seasonal student franchise system to provide residential window cleaning across the Province of Ontario, Canada. Founded in 1982 by a former employee of College Pro Painters Ltd., it was acquired by The Franchise Company Inc. in 1993. During the 2005 season, there were 90 Action Window Cleaners Inc. franchises which operated in the Province of Ontario only.

GROWERS & NOMADS, INC.

Growers & Nomads, Inc. is a Delaware corporation established in 2000 with its principal place of business at 1000 Fourth Street, Suite 800, San Rafael, CA 94901. Growers & Nomads provides marketing and brand development for the franchisor.

TELE-LINK SERVICES

Tele-Link Services is a Canadian company with its principal place of business at 700 Richmond Street, Suite 416, North London, Ontario, N6A 5C7. Tele-Link Services provides evening, weekend, and holiday answering services, in addition to certain telemarketing and customer survey services, for the franchisor and its franchisees.

ITEM 2: BUSINESS EXPERIENCE

The following is a list of persons affiliated with PDRI, including their principal occupations and employers during the past 5 years.

President, Chief Executive Officer and Director: Scott Baker

Mr. Baker has been President and Chief Executive Officer of PDRI in Jacksonville, Florida since September 11, 1995. He holds a Harvard MBA and is a member of the Florida Bar. Mr. Baker has his offices at One Independent Drive, Suite 2300, Jacksonville, FL 32202

Chief Financial Officer/Treasurer: Timothy M. Robinson

Mr. Robinson was named the Chief Financial Officer of PDRI in Jacksonville, Florida effective January 2002. Prior to that time he served as Vice President-Finance, Treasurer and Controller. Mr. Robinson is a certified public accountant and has been employed by PDRI since March 1993. Mr. Robinson has his offices at One Independent Drive, Suite 2300, Jacksonville, FL 32202.

Vice President, Marketing: Robb King

Mr. King is responsible for field operations, training and the remodeling program. Mr. King has been employed by PDRI in Jacksonville, Florida since 1993 in a variety of field support positions. Mr. King was named Vice President, Operations, in 2003. Mr. King has his offices at One Independent Drive, Suite 2300, Jacksonville, FL 32202.

Vice President, Business Development: Tracy Bachtell

Mr. Bachtell is responsible for marketing, new business development and overall brand management. Mr. Bachtell has been employed by PDRI in Jacksonville, Florida since 2003. Prior to joining PDRI, Mr. Bachtell was Director of Operations with the NCA Group, Indianapolis, IN from 1999 to 2003. Mr. Bachtell has his offices at One Independent Drive, Suite 2300, Jacksonville, FL 32202.

Secretary and Director: Paul W. Clements

Mr. Clements has been employed by The Franchise Company Inc. in Ontario, Canada in various positions for a number of years. He has served as the Chief Financial Officer since 1992. Mr. Clements has also served as the Secretary and Treasurer of The Franchise Company (U.S.) Inc. since March 1996. Additionally, he serves as Secretary, Treasurer and/or Director for various of the affiliates disclosed in Item 1. Mr. Clements has his office at 5397 Eglinton Avenue West, Suite 108, Etobicoke, Ontario, M9C 5K6, Canada.

Director: Steven S. Rogers

Mr. Rogers became the Chief Executive Officer, President and Director of both The Franchise Company Inc. and The Franchise Company (U.S.) Inc. in March 1996 in Ontario, Canada. He has served as Chief Executive Officer of College Pro Painters Ltd. since 1992. Additionally, Mr. Rogers serves on the Board of Directors of FirstService Corporation, as well as on the boards of various of the affiliates disclosed in Item 1. Mr. Rogers has his office at 5397 Eglinton Avenue West, Suite 108, Etobicoke, Ontario M9C 5K9, Canada.

Rotating Director (Franchisee Representative): David McFadden

An additional seat on the Board of Directors is reserved for the current President of the Paul Davis Restoration National Executive Council, the franchisee governing body. The seat is currently held by David McFadden, a franchise owner since 2000. Mr. McFadden currently has ownership interests in two franchises: Paul Davis Restoration of Ocean County, and Paul Davis Restoration of Monmouth County. Mr. Hunter was elected president of Paul Davis Restoration National Executive Committee effective January 1, 2006.

Director, Franchise Development: Jacqueline Baques

Ms. Baques was named Director Franchise Development, in December 2003, and is responsible for franchise sales. Prior to that time she served as Regional Sales Representative. Ms. Baques has been employed by PDRI in Jacksonville, Florida since 1998. Ms. Baques has her offices at 92 Carroll Avenue, Newport, RI 02840.

Assistant Secretary and Director: John B. Friedrichsen

Mr. Friedrichsen joined FirstService Corporation in Ontario, Canada as Vice President, Acquisitions in February 1998, a position that he held until May 2000 when he became Senior Vice President, Acquisitions. In September 2002, Mr. Friedrichsen was named Senior Vice President and Chief Financial Officer of FirstService Corporation. His office is located at 1140 Bay Street, Suite 4000, Toronto, Canada M5S 2B4.

Assistant Treasurer: Douglas G. Cooke

Mr. Cooke is the Corporate Controller and Treasurer of FirstService Corporation, a position he has held in Ontario, Canada since June 1995. Mr. Cooke is a Chartered Accountant. His office is located at 1140 Bay Street, Suite 4000, Toronto, Canada M5S 2B4.

ITEM 3: LITIGATION

PENDING LITIGATION

Craig Luhrmann, individually and as administrator of the estate of Amilia Luhrmann, and Michelle Luhrmann, individually and as mother and next friend to Andrew Luhrmann and Anna Luhrmann, v. Paul Davis Restoration, Inc., MASC Associates d/b/a, Paul Davis Restoration, Patrick Taft, The Franchise Company, USAA Insurance Company, and White Mountain Oil (Superior Court of Norfolk County, Commonwealth of Massachusetts, Case No. 04-01192, dismissed) (Case refiled on December 19, 2005, Superior Court of Hillsborough County, Northern District, State of New Hampshire, C.A. No. 05-C-309)

Plaintiff Craig Luhrmann is the co-owner of a summer home which suffered water damage. The Plaintiff's insurer, USAA, arranged for MASC, a PDRI franchisee, to perform some repairs to the Plaintiff's home. In addition to the work USAA directed, MASC contracted to perform other work for the Plaintiff. Before MASC completed its work at Plaintiff's home, Plaintiff returned and occupied the property. The Plaintiff turned on a propane gas tank which serviced the Plaintiff's home. Shortly after turning on the propane tank, an explosion occurred which destroyed the Plaintiff's home and resulted in the death of the Plaintiff's young daughter. The Plaintiff filed a complaint on July 16, 2004 against the Defendants, including the PDRI, claiming an unspecified amount of damages. The Plaintiff alleges negligence, wrongful death and property damage. On April 15, 2005, the court dismissed the case against PDRI and The Franchise Company for lack of personal jurisdiction. The Plaintiff refiled the case in New Hampshire on December 19, 2005 alleging the same claims as those contained in the case dismissed in Massachusetts. PDRI has filed motions to dismiss the complaint against it.

CONCLUDED LITIGATION

Paul Davis Restoration, Inc. v. Harold S. Silverman, Steven A. Silverman, and Douglas Industries, Inc., (Arbitration pursuant to Booklet Two of the PDRI Operations Manual; Telephonic arbitration with all participants in their own locations; internal arbitration – no docket number; March 6, 2003).

PDRI initiated this arbitration against a former franchisee seeking recovery of legal costs incurred in enforcing an arbitration award from a previous arbitration and indemnification for warranty claims. Respondent filed a counterclaim seeking damages of approximately $275,000 and alleging that PDRI wrongfully withheld consent to a transfer of Respondent's franchise and wrongfully denied a request from Respondent to extend the termination date of Respondent's franchise to allow a transfer to take place. A settlement between PDRI and one of the Respondents, Steven Silverman, was reached on October 16, 2002, in which PDRI was paid $12,500 and Steven Silverman was dismissed from the arbitration. A telephonic arbitration hearing was conducted on March 6, 2003 and on March 7, 2003, an arbitration award was issued awarding PDRI the sum of $67,136.07.

Paul Davis Systems of the Metroplex v. Paul W. Davis Systems, Inc., October 1994. (Arbitration pursuant to Booklet 8 of the PDRI Operations Manual; internal arbitration – no docket number) /Michael Moore, et al. v. Paul W. Davis Systems, Inc., et al. (68th Judicial Circuit, District Court of Dallas County Texas, Case: 95-7394-C, August 1995)

In October 1994, Paul Davis Systems of Metroplex and Michael W. Moore (Plaintiffs) filed a Request for Arbitration with PDRI to challenge the operation of Contractor Network Consultants, Inc. ("CNC") in Plaintiff's territory. Plaintiff requested that CNC cease and desist from assigning work to contractors in Plaintiff's territory and sought 25% of CNC's gross revenues in the territory. Plaintiff also sought payment from PDRI of 35% of all revenues of two other franchisees who performed jobs in Plaintiff's territory, based on the Cross Territory Agreement set forth in the Operations Manual. The arbitration request was referred to the District Three Arbitration Committee.

On March 31, 1995, the District Three Arbitration Committee ruled that the CNC program which operated on a trial basis using resources of PDRI, had potential to harm the competitive advantage of the PDRI system to the detriment of its franchisees and ordered PDRI to stop all operations related to the CNC program within 60 days from the date of the order and to take additional steps to protect the franchise network from the misuse of the trade secrets of PDRI. No penalties were awarded to Plaintiff.

Paul Davis Systems of the Metroplex appealed the ruling on May 4, 1995. PDRI appealed the ruling on May 5, 1995. On about August 3, 1995, Plaintiff obtained an Ex-Parte Temporary Restraining Order restraining the internal arbitration appeal hearing from proceeding. On August 11, 1995, PDRI filed a Motion to Dissolve Temporary Restraining Order and Compel Arbitration. On about August 21, 1995, the Texas District Court granted PDRI's Motion and ordered Plaintiff's claims abated until the arbitration was completed. On about November 22, 1995, Plaintiff filed its First Amended Original Petition asserting a civil conspiracy claim against PDRI and Paul W. and Brenda Davis, individually. Plaintiff alleged that the arbitration clause did not apply to tort claims. In May 1996, an Appeals Board determined that Paul W. Davis did, in good faith, make every effort to explain his views of the CNC program to the EFC, NEC and entire franchise network. Paul Davis Systems of the Metroplex and Michael Moore voluntarily dismissed the action against PDRI and Paul W. and Brenda Davis on or about October 10, 1997.

Anthony J. Berardino, Jr. v. Paul W. Davis Systems, Inc. and M. V. Dave Kelly (Superior Court of the State of California, Contracosta County, Case No: C96-04030, September 12, 1996)

This action by a former franchisee alleged fraud, deceit and negligent misrepresentation and violation of the California Franchise Investment Act primarily for failing to disclose to Plaintiff that a prior franchise had operated in part of the territory purchased by Plaintiff and had closed.

The Plaintiff's franchise was terminated for failing to comply with mandatory operating requirements. The parties agreed to remove this mater to AAA arbitration in California. The arbitration took place on October 6 and 7, 1997 in San Francisco, California. The arbitrator awarded damages to Plaintiff in the amount of $293,286.25.

Signature Restorations, Inc. d.b.a. Paul Davis Systems of Western Los Angeles and Shahan Ohanessian v. Paul W. Davis Systems, Inc. (Case No. 72 114 1000 97 American Arbitration Association, Los Angeles, California)

On August 18, 1997, franchisee Shahan Ohanessian (the "Franchisee") filed a demand for AAA arbitration. Franchisee generally alleged (i) common law fraud and negligent misrepresentation, (ii) breach of Franchise Agreement; (iii) statutory violations of California Franchise Investment Law; and (iv) violations of Corporations Code §31000 (the Franchise Investment Law) and Corporations Code §§31156 (franchise advertising filing requirements), 31200 (fraudulent statements in reports filed with state), 31201 (fraudulent statements made in connection with the offer or sale of franchise), and 31210 (unlicensed offer of franchise) against PDRI. Franchisee also alleged that PDRI violated the California Business and Professions Code §§17200 and 17500 by engaging in unfair business practices and false advertising. Franchisee sought recession of the Franchise Agreement and damages in excess of $450,000. PDRI filed an answer denying all allegations and filed a counterclaim for past due royalties in excess of $160,000 and breaches of the Franchise Agreement.

On January 18, 1999, prior to the final hearing, the parties agreed to settle their claims. While terms of the settlement are confidential, the terms of the settlement are favorable to PDRI.

Paul Davis Systems of East Central Indiana v. Paul Davis Systems of South Central Indiana and Paul W. Davis Systems, Inc. (Arbitration pursuant to Booklet 8 of the PDRI Operations Manual; internal arbitration – no docket number; filed on or about October 17, 1997)

Claimant sought compensation of approximately $14,000 from Paul Davis Systems of South Central Indiana and PDRI relating to the hiring of a former employee of claimant by Paul Davis Systems of South Central Indiana. Claimant asserted that PDRI breached a covenant of good faith and fair dealing by conspiring to withhold information from Claimant regarding the sale of the franchise to Paul Davis Systems of South Central Indiana. Paul Davis Systems of South Central Indiana asserted that PDRI did not notify it of any possible liability to Claimant in connection with the hiring of the employee and sought indemnification from PDRI. PDRI settled this matter through the payment of $10,000 to Claimant and the case was dismissed prior to scheduled arbitration.

Triangle Pacific Corp. v. Paul W. Davis Systems, Inc. (Case No. 97-CV-2975-J, U.S. District Court, Northern District of Texas, filed December 8, 1997)/Triangle Pacific Corp. v. Paul W. Davis Systems, Inc. (U.S. Trademark Reg. No. 1,937,790, Cancellation No.: 25,748; U.S. Patent and Trademark Office of Trademark Trial and Appeal Board. Filed on or about September 1996.)

On November 27, 1996, Triangle Pacific Corporation filed a Petition to Cancel PDRI'S United States Trademark Registration No. 1,937,790 for the mark PREMIER INTERIORS, claiming that it had superior rights in the mark PREMIER in connection with flooring products. Triangle Pacific Corporation sells hardwood floor products bearing the name PREMIER. Triangle Pacific Corporation filed a trademark infringement action against PDRI and three of its Dallas, Texas, area franchisees: Paul Davis Restoration of Greater Dallas; Paul Davis Restoration of the Metroplex; and Paul Davis Restoration of Fort Worth. The last of these franchises is no longer in existence and has not been a party to this action. As a result of the filing of the infringement action in Texas, the Cancellation proceeding was stayed.

The parties agreed to settle the litigation and suspended Cancellation proceedings. A settlement agreement in which no money was paid was reached on June 24, 1998. Pursuant to the agreement, Triangle Pacific Corporation filed a Stipulation of Dismissal of the litigation on July 24, 1998.

Home Repair, Inc. ("HRI") v. Paul W. Davis Systems, Inc. (Case No. 98C-4074; U.S. District Court, Northern District of Illinois, Eastern Division.)

This action arose out of PDRI's refusal to approve a transfer of Paul Davis Systems of Northern Illinois's franchise to HRI. On July 2, 1998, Plaintiff HRI, owned by Franchisee Eric Tucker, filed a complaint against PDRI alleging: (i) tortious interference with business expectancy by PDRI; and (ii) racial discrimination in violation of 42 U.S.C. §1981. HRI was claiming damages of at least $1,500,000. On August 14, 1998, PDRI filed a motion to dismiss HRI's complaint for failure to state a claim. On October 8, 1998, the Court dismissed HRI's claim for tortious interference with a business expectancy. On October 22, 1998, PDRI filed an answer to HRI's discrimination claim denying any wrongdoing. The parties engaged in discovery that concluded in June 1999.

On August 30, 1999, PDRI filed a Motion for Summary Judgment. HRI filed its opposition on November 10, 1999 and PDRI replied on December 23, 1999. On January 31, 2000, the Court denied the Motion for Summary Judgment. A pre-trial hearing was scheduled for March 15, 2000. At the pre-trial hearing a trial date was scheduled for March 19, 2001. On March 17, 2001, two days prior to trial, the parties agreed to enter into a settlement agreement whereby HRI agreed to dismiss the action, with prejudice, and to terminate its franchise and PDRI, without admitting any wrongdoing, agreed to pay HRI the sum of $350,000.

P.D.S. Acquisitions Co., L.L.C. d/b/a Paul Davis Systems of Oakland & Macomb and Farid K. Farida v. Paul W. Davis Systems, Inc., Paul W. Davis, Scott Baker, Brenda Davis, Bennett Brown, Charles W. Horn, Charles R. MacDowell, William Robinson, Thomas E. Parrish, Timothy M. Robinson, Stephen E. Pigman, Shirley S. Green and Michael Vincent David Kelly (Case No. 99-72829, U.S. District Court, Eastern District of Michigan, Southern Division)

This action arose out of the transfer and sale of a franchise territory to P.D.S. Acquisitions Co., L.L.C. d/b/a PDR of Oakland & Macomb and Farid Farida ("Farida") that was initially filed in the Oakland County Circuit Court on April 20, 1999, and removed to federal court by PDRI.

On June 23, 1999, Farida filed an amended complaint with the U.S. District Court, Eastern District of Michigan, demanding a judgment against PDRI for at least $1,000,000 in money damages. The amended complaint contains allegations of mail fraud; deceit; innocent misrepresentation, in the alternative; constructive fraud, in the alternative; silent fraud; breach of fiduciary duty; common law grounds of larceny by conversion and larceny by trick; conspiracy; outrageous conduct; violation of Michigan Consumer Protection Act, which includes misrepresentation, failure to disclose and causing the probability of confusion by means of advertising and U.S. Mail in connection with Farida's purchase of an existing franchise from the franchise owner; and violation of the Michigan Franchise Law which includes misrepresentation, failure to disclose, employing a device, scheme or artifice to defraud, engaging in actions, practices and courses of business which operated or would operate as a fraud or deceit in connection with Farida's purchase of an existing franchise from the franchise owner.

On July 12, 1999, PDRI filed a Motion to Dismiss Farida's amended complaint, a Motion, to Compel Arbitration pursuant to the terms of the parties' Franchise Agreement, and a Motion to Stay Proceedings pending arbitration. On September 3, 1999, the Court issued an order granting PDRI's Motions to Compel Arbitration and Stay Proceedings. On December 7, 2000, Farida appealed the District Court's Order to the U.S. Court of Appeals for the Sixth Circuit. On January 26, 2001, the Sixth Circuit dismissed the appeal.

On or about June 20, 2001, Farida filed a petition for Booklet Eight arbitration incorporating the allegations of mail fraud; deceit; innocent misrepresentation, in the alternative; constructive fraud, in the alternative; silent fraud; breach of fiduciary duty; common law grounds of larceny by conversion and larceny by trick; conspiracy; outrageous conduct; violation of Michigan Consumer Protection Act, which includes misrepresentation, failure to disclose and causing the probability of confusion by means of advertising and U.S. Mail in connection with Farida's purchase of an existing franchise from the franchise owner; and violation of the Michigan Franchise Law which includes misrepresentation, failure to disclose, employing a device, scheme or artifice to defraud, engaging in actions, practices and courses of business which operated or would operate as a fraud or deceit in connection with Farida's purchase of an existing franchise from the franchise owner and seeking damages of at least one million dollars. PDRI denied any wrongdoing. Prior to the arbitration hearing the case was settled by mutual release of all parties with no money paid and was dismissed on July 31, 2001.

Paul Davis Systems of Northern Illinois, Inc. ("PDSNI") v. Paul W. Davis Systems, Inc.

(A) Paul Davis Systems of Northern Illinois, Inc. ("PDSNI") v. Paul W. Davis Systems, Inc. (Case No. 98C-2027, U.S. District Court, Northern District of Illinois, Eastern Division.);

(B) Paul Davis Systems of Northern Illinois, Inc. ("PDSNI") v. Paul W. Davis Systems, Inc., (Arbitration pursuant to Booklet Eight of the PDRI Operations Manual, Chicago, Illinois.)

On or about November 24, 1997, PDRI denied its consent to a proposed transfer of the franchise rights of PDSNI. On April 2, 1998, PDSNI filed this action generally alleging: (i) breach of the Franchise Agreement by bad faith denial of franchise sale; (ii) tortious interference with business expectancy; (iii) declaratory judgment - termination of the franchise; (iv) breach of the Franchise Agreement; (v) declaratory judgment - the non-enforceability of the covenant not to compete; and (iv) violations of the Illinois Consumer Fraud and Deceptive Business Practices Act. PDRI moved to compel Booklet Eight arbitration pursuant to the terms of the parties' Franchise Agreement and on October 15, 1998, the United States District Court granted PDRI's Motion to Compel Arbitration and stayed the litigation.

On January, 25, 1999, PDSNI filed a Complaint in Arbitration, pursuant to the arbitration procedures contained in the Booklet Eight of the PDRI Operations Manual, generally alleging: (i) breach of the Franchise Agreement by bad faith denial of franchise sale; (ii) tortious interference with business expectancy; (iii) declaratory judgment - termination of franchise; (iv) breach of Franchise Agreement; (v) consumer fraud and deceptive business practices - franchise agreements; (vi) declaratory judgment - unenforceability of non-compete provisions against PDRI. PDSNI claimed damages of at least $5,000,000. PDRI filed a Response denying any wrongdoing and a Counterclaim against PDSNI and its principal owner, Philip Goldstein ("Goldstein"), seeking to enforce the non-competition, royalty, indemnity and audit provisions of the Franchise Agreement. PDSNI filed a First Amended Statement of Claim in Arbitration on October 16, 2001, adding alleged violations of the federal Racketeer Influenced and Corrupt Organizations Act (RICO) and Illinois Franchise Disclosure Act (IFDA) involving the administration of the Booklet Eight arbitration process. Specifically, PDSNI alleged that the Defendants had violated sections 705/5(4) (fraudulent statements in reports filed with state), 705/6 (prohibited practices), 705/6(a) (fraudulent schemes in connection with the offer or sale of franchise), 705/6(c) (fraudulent acts made in connection with the offer or sale of franchise) and 705/18 (discrimination) of the IFDA. The First Amended Statement of Claim of Arbitration also purported to add new parties to the arbitration, including Paul W. Davis, FirstService Corporation, The Franchise Company, Jay S. Hennick, Steven S. Rogers, Scott Baker and Rosel Pine. A week long arbitration hearing on the original Complaint in Arbitration and PDRI's Counterclaim was scheduled for the week June 10, 2002.

On June 12, 2002, the parties reached a settlement in which: (1) Goldstein's franchise agreement was reinstated for the remaining unsold portions of his former franchise territory; (2) Goldstein divested himself of any interests in any competing entities; (3) Goldstein's former franchise corporation agreed not to compete for two years with any PDR franchise for (a) residential insurance restoration business, and (b) commercial insurance restoration business of less than $100,000; (4) Goldstein agreed to pay $650,000 in royalties; (5) a mutual release of all claims between the parties; and (6) the dismissal with prejudice of the federal lawsuit and the Booklet Eight arbitration.

AFFILIATE LITIGATION

The following litigation are lawsuits to which PDRI's affiliate, Certa ProPainters Ltd., and one of PDRI's directors named in Item 2 were parties:

Jay Seward v. Certa ProPainters Ltd. , et al. (Superior Court of the State of California, Santa Clara County, Case No. CV769045)

On or about November 5, 1997, the plaintiff filed this action in the Santa Clara County Superior Court. This case alleges intentional misrepresentation, negligent misrepresentation, breach of contract, promissory fraud, breach of covenant of good faith and fair dealing, violation of California Corporations Code Sections 31201, 31301 and 31302, and violation of the California Business and Professions Code Section 17200 all in connection with Certa Pro's offer and sale of a franchise to the Plaintiff. Mr. Seward sought unspecified damages in excess of $50,000. On or about February 25, 1998, the parties agreed to submit this matter to arbitration before the American Arbitration Association of California. This case was settled in 1999 (See Note 1and Note 2 below).

Hoffman v. Certa ProPainters Ltd. , et al. (Superior Court of the State of California, Orange County, Case No. 795852)

On or about July 21, 1998, the plaintiff filed this action in the Orange County Superior Court. This case alleges fraud and deceit, intentional misrepresentation, concealment, negligent misrepresentation, breach of contract, promissory fraud, breach of implied covenant of good faith and fair dealing, violation of California Corporations Code Sections 31201, 31301 and 31302, and violation of the California Business and Professions Code Section 17200 all in connection with Certa ProPainters Ltd.'s offer and sale of a franchise to the Plaintiff. Mr. Hoffman sought unspecified damages in excess of $50,000. This case was settled in 1999 (See Note 1and Note 2 below).

Coughlin v. Certa ProPainters Ltd. , et al. (Superior Court of the State of California, San Diego County, Case No. 721738)

On or about July 22, 1998, the plaintiff filed this action in the San Diego County Superior Court. This case alleges fraud and deceit, intentional misrepresentation, concealment, negligent misrepresentation, breach of contract, promissory fraud, breach of implied covenant of good faith and fair dealing, violation of California Corporations Code Sections 31201, 31301 and 31302, and violation of the California Business and Professions Code Section 17200 all in connection with Certa ProPainters Ltd.'s offer and sale of a franchise to the Plaintiff. Mr. Coughlin sought unspecified damages in excess of $150,000. This case was settled in 1999 (See Note 1and Note 2 below).

Kuhn v. Certa ProPainters Ltd. , et al. (Superior Court of the State of California, Santa Clara County, Case No. CV774754)

On or about July 21, 1998, the plaintiff filed this action in the Santa Clara County Superior Court. This case alleges fraud and deceit, intentional misrepresentation, concealment, negligent misrepresentation, breach of contract, promissory fraud, breach of implied covenant of good faith and fair dealing, violation of California Corporations Code Sections 31201, 31301 and 31302, and violation of the California Business and Professions Code Section 17200 all in connection with Certa ProPainters Ltd.'s offer and sale of a franchise to the Plaintiff. Mr. Kuhn sought unspecified damages in excess of $50,000. This case was settled in 1999 (See Note 1and Note 2 below).

Note 1: To avoid incurring continuing litigation costs and without admitting any wrongdoing, Certa ProPainters Ltd., together with the other defendants, entered into settlement agreements with all the plaintiffs on or about August 12, 1999. At the same time Certa ProPainters Ltd. also entered into a settlement agreement with another former franchisee, John Novak, who had made similar claims but never filed an action. Certa ProPainters Ltd. agreed to pay the plaintiffs and Mr. Novak a total of $280,000. of which $40,000 was paid at the time of settlement and $240,000 was to be paid over a period of 18 months. The plaintiffs all dismissed their lawsuits with prejudice, and all parties executed mutual general releases. All amounts due under the settlement agreements have been paid.

Note 2: Steven S. Rogers, one of PDRI's directors and the Chief Executive Officer of its parent corporation, The Franchise Company, Inc., was named in each of these cases because of their relationship to Certa ProPainters Ltd.

Other than these 14 actions, no litigation is required to be disclosed in this offering circular.

NOTICE REQUIRED BY THE STATE OF NEW YORK

Neither PDRI nor any person identified in Item 2: (1) has any pending administrative, criminal or material civil action alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (2) has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; or (3) is subject to any injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

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.

NOTICE REQUIRED BY THE STATE OF NEW YORK

Neither PDRI nor its officers and directors, during the 10 year period immediately preceding the date of the offering prospectus, has been adjudged bankrupt or reorganized due to insolvency, or was a principal officer of any company or a general partner in any partnership that was adjudged bankrupt or reorganized due to insolvency during or within one year after the period that such officer of general partner of the franchisor held such position in such company or partnership and no such bankruptcy or reorganization proceedings has been commenced.

ITEM 5: INITIAL FRANCHISE FEE

For territories with populations of between 250,000 and 300,000, you may acquire a Paul Davis Restoration® franchise with an initial (and renewable) term of five years, for a franchise fee of $52,500. The franchise fee is payable $25,000 down ($2,000 upon signing the Franchise Agreement and $23,000 before beginning training) and PDRI will finance the remaining amount in excess of $25,000 with a four-year eight percent (8%) promissory note.

You may pay a greater or smaller franchise fee depending on the size of your territory population. For territories with a population of greater than 300,000, PDRI adds an additional population fee of $0.10 per person for each person over 300,000. If you want to develop a PDRI franchise in a territory of a population under 250,000, you and PDRI will negotiate the franchise fee. In the previous fiscal year (ending December 31, 2005), new franchisees paid franchise fees of between $5,000 and $52,500.

At the sole option of PDRI, PDRI reserves the right during classroom training described in Item 11 to rescind the Franchise Agreement and refund to you within 5 business days all of the franchise fee paid by you to PDRI if, in the reasonable determination of PDRI, you fail to meet PDRI's performance standards evidenced through evaluations determined by classroom training and personal interviews. PDRI will not refund any portion of the franchise fee under any other circumstances. In the event of such termination, you would be bound by the covenant not to compete, trade secret covenants and the arbitration provisions described in Item 17.

ITEM 6: OTHER FEES

The following chart shows recurring or isolated fees or payments that you must pay either to PDRI or that PDRI imposes or collects on behalf of a third party. All fees are imposed by and payable to PDRI unless otherwise stated. All fees are nonrefundable. Late payment is assessed at 1 1/2% per month. Additional information about these fees is shown in the notes that follow the chart.

RECURRING OR ISOLATED FEES OR PAYMENTS

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee	3 ½% of Gross Sales.	Payable monthly on the 25th day of each month, for Gross Sales during the preceding month.	"Gross Sales" includes the total amount of all sales of labor, material, and services performed or rendered by the franchised business or by third party vendors and subcontractors and all items included on an estimate or work authorization including items paid for directly by the client or insurer, and is calculated as of the date of work order or signed contract.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Minimum Royalty	Annual minimum sales rate of $1.50 times the population in the territory times 3 ½% royalty rate; minimum sales rate is adjustable on annual basis based on changes to the Consumer Price Index. The minimum sales amount equals $0 for the partial and first full calendar year following the effective date, $0.50 for the second full year, $1.00 for the third full year $1.50 for the fourth full year, $2.00 for the fifth full year, $2.50 for the sixth full year, and $3.00 for the seventh full year and years thereafter. The annual Minimum Royalty amount may be prorated for any partial years the franchised business is held.	After 3 full years of operation, due annually on your franchise anniversary date.	Only applies to extent actual royalties paid to PDRI do not meet your minimum royalty obligation. See Franchise Agreement Section 3.1 and 3.2.
Warranty Fund Contribution See Note 1	½% (1% in the case of a resale of an existing franchise) of Gross Sales until the fund balance equals $15,000 for the first 500,000 of population within the territory and an additional $2,000 for each additional 100,000 or portion thereof above 500,000, or such greater amount as may be established by Completion Services, Inc.	Monthly. See Note 3	Paid to Completion Services, Inc., a corporation owned by all franchisees. Used to fund warranty work performed by franchisees. See Franchise Agreement Section 3.7.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Computer Software Fee See Note 1.	$75 per month.	Payable monthly. See Note 3	
Additional Training Fee	$2,500 per person for PDRI structural renovation training.	Before training.	Franchisee Fee includes training for one person.
Training Fee for optional program courses	Introduction to Commercial: $95.	Before training.	These fees are payable only if you choose to receive the additional training in order to participate in one or more of the Optional Programs.
Joint Quality Review	$50 per month.	Payable monthly. See Note 3	Conducted by PDRI representatives.
Transfer	$2,000 (for majority transfer) or $250 (for minority transfer), plus training fees, as applicable.	Due before transfer.	See Franchise Agreement, Article 20, for restrictions and requirements.
Strategic Marketing Plan fee. See Notes 1 & 2	$125 per month plus 0.33% of closed Gross Sales but no more than $16,500/year	Payable monthly. See Note 3	Unless extended by the General Council of franchisees, this fee will no longer be payable as of July, 2005, see Franchise Agreement Section 3.13.
Convention Registration Fee	$25.00 per month	Payable monthly	See Franchise Agreement Section 3.14

NOTES TO ITEM 6:

Note 1: The Warranty Fund program fee, the Computer Software Program fee and the Strategic Marketing Plan fee have been voted into the Paul Davis Restoration® Operations Manual by the Council and will remain in effect until removed or changed by Council vote.

All franchisees of PDRI are members of the Paul Davis Restoration® General Council and of one District Council. The General Council of all PDRI franchisees meets on an annual basis. Each of the District Councils, composed of all franchisees whose franchise territories are located in the geographically defined districts, meet twice each year. The District Councils vote on proposed changes to the Paul Davis Restoration® Operations Manual. In this offering circular, references to Council mean the District Councils.

Note 2: It is anticipated that the Strategic Marketing Plan may be discontinued at some point. At such time, PDRI has the option to institute a monthly marketing fee, which fee is not expected to exceed one-half percent (1/2%) of Gross Sales (see Franchise Agreement Section 3.13).

Note 3: For start up franchises, except for those acquired from existing franchisees, these monthly fees shall commence in the second full month following the completion of new owner school, if applicable.

PDRI has the option to institute an insurance program under which you may be required to procure certain lines of insurance (such as worker's compensation, automobile liability, and general liability) from a specified insurance company, which insurance company may be owned in whole or part by PRDI (see Franchise Agreement Section 12.1).

ITEM 7: INITIAL INVESTMENT

The following table sets forth your estimated initial investment in a base territory with a population of 250,000-300,000.

PURPOSE	APPROX. AMOUNT (LOW TO HIGH)	WHEN DUE	PAYEE
Franchise Fee	$25,000 (Note 1)	$2,000 due when Franchise Agreement signed; $23,000 due before you begin training; balance in the form of a four year 8% promissory note	PDRI
Real Property and Improvements (2)	$1,500 - $3,000 (Note 2)	Monthly (Note 2)	Landlord (Note 2)
Equipment, Computer, Fax Copier (3)	$11,874 - $21,874	Before Training	Third Party Vendors
Office Furniture	$2,000 - $5,000	Before Opening	Third Party Vendors
Travel and Living Expenses While Training	$3,000 - $5,000	During Training	Third Parties
Insurance (5)	$2,500 - $6,000	Before Opening	Insurance Companies
Licensing (6)	(Note 6)	(Note 6)	(Note 6)
Phone installation and utility deposits	$250 - $1,000	At opening	Phone company and utility companies
Rent deposit (2)	$750 - $1,500	At signing of lease	Landlord
CPA fees - initial work (7)	$400 - $1,000	At startup	CPA
Legal fees – incorporation	$500 - $1,500	At incorporation date	Attorney
Additional funds - first 3 months (8)	$56,690 - $93,900	1/3 each month as incurred	Employees, Suppliers, Utilities, PDRI
TOTAL FOR START UP	**$104,464 - $164,774**		

NOTES TO ITEM 7:

(1) For territories with populations of between 250,000 and 300,000, the franchise fee is $52,500, payable $2,000 upon signing of franchise agreement, $23,000 before you begin training, and the balance in the form of a four-year 8% promissory note. If the population of your territory exceeds 300,000, the franchise fee will be greater by an additional $0.10 per person for each person over 300,000. If the population of your territory is less than 250,000, you and PDRI will negotiate the franchise fee. See Item 5 above.

(2) There are no real estate or build out requirements. PDRI requires you to maintain an office dedicated solely to the operation of the franchise. Franchisees usually rent offices in strip centers, light industrial parks, or suburban office parks. Typical rent for a start-up office is $500 - $1,000 per month.

(3) You must buy or lease a computer system that is compatible with the PDRI system. PDRI reserves the right to designate the hardware platform including the brand, the application software and the operation software. You may purchase or lease from any available supplier. Currently, you may purchase a compatible system for approximately $10,000, which includes a server computer and two PC workstations, one printer, an external fax modem and PC software. Franchisees are often able to obtain lease terms for the computer system based on their financial position. You must also purchase or lease a fax machine, a photocopier, and a scanner and an Internet connection is required. In addition, if you wish to immediately engage in emergency services and loss mitigation the recommended minimum equipment will cost approximately $8,874. The low figure in this chart reflects the initial payment required for a lease of the computer system, while the high figure reflects purchase of the equipment. See Items 8 and 11 for a description of the computer system. You are required to use proprietary software provided to you by PDRI in conjunction with the Xactimate™ estimating system. (See Item 8 for more information). You are responsible for costs of obtaining, installing and maintaining the Xactimate™ estimating system, including all license fees associated with its possession, use or operation.

(4) You will incur significant travel and lodging expenses during the training program period, including round trip airfare to Jacksonville, car rental, hotel, and meals. PDRI estimates your travel and living expenses during the four-week training period will be $3,000 - $5,000.

(5) Insurance costs due at start-up will range from approximately $2,500 to $6,000 for the first quarter based on the current insurance market, which fluctuates considerably.

(6) The requirements for individual or company licensing and/or certification vary substantially from state to state and may further vary from city to city, or county to county, within a state. You should determine what licensing or certification requirements are imposed by the various governmental bodies in the locations where you expect to establish a Paul Davis

Restoration ® franchise. These licenses may require examinations and/or significant fees. <u>It is your responsibility to determine what licensing requirements are applicable</u>.

(7) Initial CPA fees to set up the accounting for a franchise will generally range between $400 and $1,000. The CPA may waive or reduce the initial set-up charge as an incentive to get a new client.

(8) PDRI estimates that you should have minimum working capital of $50,000 to $75,000. Working capital is the difference between current assets and current liabilities. Working capital needs are heavily influenced by draws on jobs, size of jobs, consistent collection of receivables and good business practices with respect to payables. PDRI highly recommends $75,000 in working capital in case of a slower than normal startup or other unexpected events. Because of the nature of cash flow in the insurance-related construction business, you need to have sufficient working capital, or a line of credit, to cover payments for material, labor and commissions on jobs that are too small for a draw schedule or for insurance companies that don't give draws. The amount of the credit or working capital required will fluctuate as your business grows. Following the initial year of operations, you are expected to maintain working capital, including established and unused lines of credit, equal to 10% of the previous year's sales.

Salary or wages for a job cost accountant are forecast to range between $1,800 and $2,500 per month plus 10% for payroll taxes and other benefits.

As a new franchisee, you must assess whether or not you intend to take a salary or draw from the business during the startup period. If funds are available outside the business to cover personal living expenses, we recommend that you take no salary or draw. However, if the new franchisee is dependent on salary or draw from the business to cover personal living expenses, you must include these in startup costs. We have estimated 0 - $3,000/month plus 10% for taxes and benefits. You would have to adjust the startup costs upward for any withdrawals in excess of $3,000/month.

In addition, you will be responsible for certain monthly fees including the Computer Software Fee of $75 per month, Joint Quality Review Fee of $50 per month, and Strategic Marketing Fee of $125 per month (See Item 6 for additional information).

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase or lease computer hardware to operate the PDRI proprietary software. This hardware is described in detail in Item 11. You may purchase or lease from any supplier of the required hardware. This hardware is "off the shelf" in its configuration, so it is available from many different sources. The software is provided to you as part of the franchise fee. You pay an on-going software support fee of $75 per month to PDRI. In 2005, PDRI received $184,200 from its franchisees for use of the software. This represents 1.52% of the total 2005 PDRI revenues of $12,148,023.

In connection with your use of the PDRI proprietary software, you are required to obtain the Xactimate[tm] estimating software from Xactware, Inc. You are responsible for all costs and license fees associated with the Xactimate[tm] software.

PDRI has negotiated national accounts with several suppliers of materials that you may use in the course of your business. Current agreements with suppliers provide: (i) discounts on various materials which you and your subcontractors may use; (ii) in one instance, an annual fee of $20,000 is paid by a supplier to PDRI; and (iii) in other instances, a periodic rebate to PDRI from the supplier, based on the total amount of purchases by the franchisees. Your use of these supplies from these suppliers is voluntary. In 2005, the amount of rebates received by PDRI under these programs was $15,777, which is less than 0.12% of PDRI's total annual revenues for that year.

You are not required to purchase any goods or services from PDRI or any of its affiliates and neither PDRI nor its affiliates are currently approved suppliers. PDRI affiliates do not derive any income from required purchases or leases. Except as described in this Item 8, PDRI receives no revenue or other material consideration as a result of required purchases or leases. There are no purchasing or distribution cooperatives.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

	OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
A.	Site selection and acquisition/lease	Article 4	Item 11
B.	Pre-opening purchases/leases	Article 9	Item 11
C.	Site development and other pre-opening requirements	Article 6	Item 11
D.	Initial and ongoing training	Article 8	Item 11
E	Opening	Article 6	Item 11
F.	Fees	Article 2, 3	Item 5, 6
G.	Compliance with standards and policies/Operations Manual	Article 6, 10	Item 11
H.	Trademark and proprietary information	Article 1	Item 13
I.	Restrictions on products/services offered	Article 6	Item 8
J.	Warranty and customer service requirements	Article 3	
K.	Territorial development and sales quotas	Article 4	Item 12
L.	Ongoing product/service purchases	Article 9	Item 8
M.	Maintenance, appearance and remodeling requirements	None	
N.	Insurance	Article 12	Item 7
O.	Advertising	Article 11	Item 6, 7
P.	Indemnification	Article 13	
Q.	Owner's participation/ management/ staffing	Article 6	Item 15
R.	Records/reports	Article 6	Item 21
S.	Inspections/audits	Article 6	
T.	Transfer	Article 20	Item 6, 17
U.	Renewal	Article 5	Item 6, 17

	OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
V.	Post-termination obligations	Article 19	Item 17
W.	Non-competition covenants	Article 22	Item 17
X.	Dispute resolution	Article 23	Item 17

ITEM 10: FINANCING

PDRI offers financing for 100% of the amount of the initial franchise fee in excess of $25,000 for a 4-year period at an APR of 8% (see Item 5 for determination of initial franchise fee). A copy of the Promissory Note showing the financing terms is attached as Exhibit K. PDRI does not require any additional security interest in connection with the financing. Each owner of a franchise must individually sign the Promissory Note. The balance of the Promissory Note may be prepaid in whole or in part at any time without penalty or premium. If you do not pay on time or if you default on the Franchise Agreement or if you fail to abide by the terms of the PDRI Operations Manual, then you will be in default under the Promissory Note and you will automatically be in default under the Franchise Agreement. If you are in default under the Promissory Note or if you sell a portion or all of your interest in the Franchise Agreement, PDRI can call the Promissory Note and demand immediate payment of the full outstanding balance and obtain court costs and attorney's fees if a collection action is necessary. You will also pay all costs and expenses including reasonable attorney's fees and costs incurred by PDRI in connection with an appeal of any proceeding respecting the payment or enforceability of the Promissory Note. You waive your rights to presentment, protest, notice of protest, and notice of dishonor under the Promissory Note. The terms of the Promissory Note do not bar you from asserting a defense against PDRI.

PDRI does not arrange financing from other sources. Commercial paper from franchisees has not been and is not sold or assigned to anyone, and PDRI has no plans to do so. PDRI does not receive direct or indirect payments for placing financing. PDRI does not guarantee your obligations to third parties.

ITEM 11: FRANCHISOR'S OBLIGATIONS

Except as stated below, PDRI need not provide any assistance to you.

Before you open your business, PDRI will:

A. Designate your protected territory (Franchise Agreement, Section 4.1);

B. Provide you with software (Franchise Agreement, Section 9.1);

C. Provide you with a Paul Davis Restoration® initial printing, sales and marketing supplies package (Franchise Agreement, Section 9.2) [not applicable to a resale or renewal of an existing franchise];

D. Assign you to a District Council in your area of the U.S. (Franchise Agreement, Section 10.1);

E. Contribute $1,000 to your Warranty Fund Program account in Completion Services, Inc. (Franchise Agreement, Section 3.A.4) [not applicable in the case of a resale or renewal of an existing franchise].

F. Provide your designated representative with the following classroom training:

SUBJECT	WHEN GIVEN	INSTRUCTIONAL MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	INSTRUCTORS
Paul Davis Restoration Structural Renovation	4 times per year	Operations Manual	160 (4 weeks)	32 (for job cost accountant); 32 (for field training)	Chris Davis Heath Whittle Denna Wright Robb King Sonny Bass Tracy Bachtell

PDRI does not charge for this training or service for the designated representative but you must pay the following additional training fees if you choose to have additional personnel trained or if you choose to receive training in optional programs:

Structural Renovation Training: $2,500 per additional person
Introduction to Commercial Training: $95 per person

All training occurs at PDRI's Jacksonville, Florida headquarters or at a leased facility in Jacksonville, Florida, or at such other location selected by PDRI. You must pay your personal expenses, including travel, meals, lodging, and transportation, incurred during the training program.

The instructors have the following number of years of experience with PDRI: Chris Davis – 4 years; Heath Whittle - 13 years; Denna Wright - 15 years; Robb King - 13 years; Sonny Bass – 5 years; Tracy Bachtell – 2 years.

The initial training program is mandatory for each new franchisee (including resales of existing franchises), regardless of the population size of the territory, and you must complete it before beginning franchise operations.

The training program is conducted approximately four times per year.

During the operation of the franchise business, PDRI will provide the following:

1. Computer software updates (Franchise Agreement, Section 3.3).

2. Assistance in operating District Councils (Franchise Agreement, Section 10.1).

3. A field operations trainer sent to your place of business for four (4) full working days. The field operations trainer will provide start-up field operations assistance to you. The job cost accounting trainer will train your job cost accountant and assist in setting up the office by either a four (4) day on-site visit to your location or via computer desktop streaming. Your job cost accountant is required to receive this training (Franchise Agreement, Section 8.5).

4. Upon completion of the classroom and on-site training and during your initial 8 week period of operation (which initial 8 week period may be extended up to an additional 8 weeks at PDRI's discretion, PDRI will review and approve your estimates. You must submit copies of all estimates prepared in the course of your business during this period (Franchise Agreement, Section 8.4).

5. Lend you one copy of its Operations Manual, which contains required and suggested standards and procedures for operating the franchise business. This Operations Manual is proprietary and remains the property of PDRI. PDRI can modify the Operations Manual only with the approval of a majority of the operating franchises, working through the District Councils (Franchise Agreement, Section 1.2). The table of contents of the Operations Manual and certain sections is included as Exhibit H.

The typical time between signing the Franchise Agreement or payment of the initial franchise fee and the opening of a start up PDRI franchise is less than 4 months. The principal time constraints will be your ability to attend the next available training class and your ability to obtain a contractor's license in the state where you will do business. You may not open your office until you have completed your required field training. Operations are deemed to begin when you first offer your services to the public, which would include one or more of the following: having telephone or mail service in your name; contracting for services with third parties; or making estimates and contacting insurance adjusters or property owners.

Although PDRI does not currently require recertification training, PDRI reserves the right to implement such a program upon 60 days notice. If PDRI implements such a program, you agree to attend a 3-5 day recertification training program at PDRI's place of business in Jacksonville, Florida at least once every 3 years and to pay PDRI's recertification training fees as determined by PDRI, but not to exceed the daily training fee then charged to start up franchisees who are acquiring a franchise at the time of your training.

COMPUTER REQUIREMENTS

You must purchase or lease computer hardware to operate the PDRI Software. The computer system configuration needed by you requires access to some of the same information by more than one person at a time. Therefore, our specifications require a computer network consisting of one dedicated "file server" computer, with two or more personal computer based "work stations" connected in a way that allows access to the information stored on the server computer. You are required to transmit to PDRI from time to time the information contained on your computer system. PDRI does not have independent access to the information stored on your computer system.

Listed below are minimum hardware and software products needed to network PCs together. In many situations, you will need to exceed the specification listed. Work with your selected vendor to create a computer system that provides you with solutions to your current needs and meets your planned growth.

PDRI does not require you to update and upgrade the computer hardware and/or software, once you have fulfilled the following minimum standards. PDRI makes software updates available to you, however, PDRI does not require you to accept these updates.

The current requirements (these requirements are subject to change) for a PDRI franchise operation are as follows:

OFFICE HARDWARE

Please note the following hardware specifications. If desired, exact product recommendations from Dell are available.

NETWORKING HARDWARE – SERVER

The following specifications are intended as a guideline and the minimum specification must be adhered to. The server is a standalone unit and must not be used as a workstation in conjunction with the server duties. For operations with more than 5 users, please discuss the server recommendations with the support staff.

MINIMUM	RECOMMENDED
IBM Compatible PC – 400MHz Intel (Pentium) or AMD Processor	IBM Compatible PC – 866MHz Intel PIII or AMD Processor
256 Megabytes of dedicated RAM (cannot be shared w/Video card RAM)	512 MB RAM 8 MB Video RAM
10 GB SCSI Hard Drive	(2) 36GB SCSI Hard Drives (RAID mirrored)
Microsoft Windows 2000 Server with latest service packs	Microsoft Windows 2000 Server with latest service packs
DDS-3 Type Tape Backup with six (6) tapes[1]	VXA-1 Type Tape Backup with six (6) tapes [1]
Veritas Backup Exec	Veritas Backup Exec
Uninterruptible Power Supply[2]	Uninterruptible Power Supply[2]
10/100BaseT Network Interface Card	10/100BaseT Network Interface Card
15" SVGA Monitor (800x600), keyboard, mouse	17" SVGA Monitor (1024x768), keyboard, mouse
4x CD-ROM Drive	12x CD-ROM Drive
56k V90 External Modem[3]	High-speed Internet connection (DSL, cable, ISDN, T-1, etc.) with **Router**

[1] Tape backup capacity should equal or exceed hard drive storage for the server and workstations or devise a separate backup strategy for the workstations. *A CD-R/RW is not an acceptable media for backup.*

[2] A UPS should be sized appropriately for the demands of the computer, its peripherals and monitor.

[3] A modem is only necessary for an internet connection/fax. Depending on your Internet Access solutions, 56K modems may need to be added to the server and workstations. *We strongly recommend the use of a connection sharing device such as xDSL with a router* or a 56K Modem Router that "pipes" in the internet to your network rather than one machine.

[4] Microsoft Works / Works Suite is not an acceptable alternative.

[5] A Multi-user license for Quickbooks Pro is necessary for installation on multiple workstations.

[6] Future expansion (additional ports) should be considered when selecting a Switch.

[7]A leased, large format color copier with multifunction capabilities (fax, printing and scanning) is recommended for larger offices. Studies have found that such machines have cost savings.

NETWORKING HARDWARE – WORKSTATION

MINIMUM	RECOMMENDED
IBM Compatible PC – 400MHz Intel (Pentium) or AMD Processor	IBM Compatible PC – 800MHz Intel PIII or AMD Processor
64 Megabytes of dedicated RAM (cannot be shared w/Video card RAM)	256 MB RAM 8 MB Video RAM
900 MB Hard drive free space	10 GB Hard Drive
Microsoft Windows 2000 Pro / XP Pro with latest service packs / Internet Explorer 5.5	Microsoft Windows 2000 Pro / XP Pro with latest service packs / Internet Explorer 5.5
15" SVGA Monitor (800x600), keyboard, mouse	17" SVGA Monitor (1024x768), keyboard, mouse
4x CD-ROM Drive	12x CD-ROM / CD-R / RW Drive
High quality surge protection	Uninterruptible Power Supply[2]
Norton Anti-Virus with current updates	
Microsoft Office–Small Business – recent version with current updates[4]	Microsoft Office Pro – recent version with current updates[4]
10/100BaseT Network Interface Card	
Modem[3]	

ANCILLARY HARDWARE & SOFTWARE

MINIMUM	RECOMMENDED
QuickBooks Pro[5]	QuickBooks Pro[5]
100 Base–T **Switch** including Category 5 cabling for the existing office configuration	100 Base–T **Switch** including Category 5 cabling[6]
1 Mega pixel Digital Camera (640 x 480 VGA minimum) using JPG format	2 Mega pixel Digital Camera using JPG format
Fax Machine[7]	Fax Machine[7]
B & W Laser Printer[7]	B & W Laser Printer[7]
Color Inkjet Printer for workgroups[7]	Color Inkjet Printer for workgroups[7]

Dial-up Internet Connection	ISDN, Cable, xDSL or T1 Internet Connection with **Router**
4 line Phone system	Meridian style phone system
Cellular Phone	Nextel phone system

ADVERTISING

You may develop advertising and promotional materials for your own use, at your own cost. PDRI or its designated representative must approve your advertising materials in advance and in writing. Such approval shall not be unreasonably withheld. PDRI does not require that you participate in any advertising program.

The General Council, made up of all operating franchisees, established the Strategic Marketing Plan (the "SMP"). The SMP is a cooperative program which requires financial contributions from each Franchisee. During the period July 1, 2005 to June 30, 2008 or longer if approved by the General Council, you are required to contribute to the SMP cooperative program an amount equal to: (a) a fixed monthly payment of $125 per month, plus (b) a variable monthly payment of thirty-three one-hundredths of one percent (0.33%) of closed Gross Sales. The variable monthly payments of 0.33% of closed Gross Sales shall not exceed $16,500 per year.

The funds collected by the General Council as part of the SMP were used as follows for the fiscal year ended December 31, 2005:

Production	14%
Media Placement	9%
Administrative Expenses	12%
Other:	
Sales Representatives	48%
Quality Surveys and Awards	5%
Technology Development	3%
Franchisee and Industry Training	7%
Miscellaneous	2%
TOTAL	100%

You may not use PDRI's name or trademarks in connection with any electronic commerce or other electronic transmission, including email communications or interactive web sites, without the prior written approval of PDRI or its designated representative. Such approval shall not be unreasonably withheld.

SITE SELECTION

There are no real estate or build out requirements and PDRI does not approve the site for your Franchise Business. PDRI requires you to maintain an office in a commercial location within your territory dedicated solely to the operation of the franchise. Franchisees usually rent offices in strip centers, light industrial parks, or suburban office parks.

ITEM 12: TERRITORY

You conduct your franchise operations within a specific territory set forth in the Franchise Agreement with a minimum population of 250,000 unless otherwise agreed by you and PDRI. The size and configuration of the protected franchise territory is based on population determined by you and PDRI before you sign the Franchise Agreement (see Item 5, Initial Franchise Fee).

Due to the nature of the business, you may provide services to clients in another franchisee's territory, and vice versa, subject to cross territory agreements between the two franchisees, which is described in Booklet Three of the Operations Manual included in this offering circular as Exhibit H. Your office must be located in your franchise. There are no options or rights of first refusal granted to acquire additional franchises in contiguous territories.

As to any territory covered by a Franchise Agreement, PDRI (including any parent or affiliate of PDRI) has not established and will not establish a company-owned outlet office using our service marks and trademarks or different service marks or trademarks. PDRI agrees not to allow another franchisee to establish an office offering the franchise services in your franchise using any PDRI service marks or trademarks or different service marks or trademarks. PDRI does not offer the same services as franchisees, and, therefore, PDRI may not solicit or accept orders for services or products the same as or similar to those that you are authorized to sell within your territory without your permission. PDRI may grant similar franchises using our trademarks outside of your territory.

Your territory will be defined using political boundaries, such as county or city boundaries, or zip code boundaries, which are subject to change. These changes are outside of the control of PDRI. Other than changes to the political boundaries or zip code boundaries used to define your territory, PDRI has no right to alter the territory granted to you under the Franchise Agreement. Your retention of your territory is not dependent upon the achievement of a certain sales volume, market penetration, or any other contingency, apart from your obligations under the Franchise Agreement.

ITEM 13: TRADEMARKS

PDRI grants each franchisee the license to use the name "Paul Davis Restoration®" and to use the PD® logo set forth on the cover page of this offering circular. You may use the names and logos on stationery, in advertising approved by PDRI and for other purposes consistent with the operation of the franchise and in accordance with the Operations Manual. The Strategic Marketing Committee established by the General Council controls your use of the names and logos and you may not use any PDRI service mark or name to sell an unauthorized service or product or in a manner not authorized in writing by the General Council.

PDRI has received Service Mark registration with the U.S. Patent and Trademark Office for the PD® logo (Registration No. 1,661,053, registered October 15, 1991), for Paul Davis Restoration® (Registration No. 2,530,592, registered January 15, 2002), for PDR E-Estimates® (Registration No. 2,643,870, registered October 29, 2002). All registrations are on the Principal Register. There have never been any determinations by the U.S. Patent Office, any trademark administrator or any Court of any pending interference, opposition or cancellation proceeding or any pending material litigation involving the name Paul Davis Restoration® or PD® logo which is relevant to its use in this state.

There are no agreements in effect which significantly limit the right of PDRI to use or license the use of its names and logos in any manner material to the franchise. PDRI does not know of any infringing uses that could materially affect your use of its service marks.

You must comply with the Operations Manual guidelines when you use the names and logos in operating the franchise. PDRI assumes all responsibility to protect any rights to the names and logos. You are not obligated to defend against claims of infringement or unfair competition with respect to such names and logos but you are obligated to notify PDRI immediately if you learn about an infringement of or challenge to your use of the PDRI service marks. PDRI will take the action we deem appropriate and if we ask you to assist us in defending the service marks, we will reimburse you for all costs which you incur in doing so, if such costs are approved by PDRI in writing.

You must modify or discontinue use of any PDRI service mark if PDRI modifies or discontinues it for all of our franchisees. If this happens, PDRI will not reimburse you for expenses you incur in changing signage or other uses of the service mark.

NOTICE TO PROSPECTIVE FRANCHISEES IN MINNESOTA

Notwithstanding anything contained in the Franchise Agreement to the contrary, the Franchisor shall protect the Franchisee's right to use the trade marks, service marks, trade names, logotypes, and other commercial symbols belonging to the Franchisor and which the Franchisee has been permitted to use under the Franchise Agreement and indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. (Refer to Minn. Stat. Sec. 80C.12, Subd. 1(g).)

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

PDRI does not own any patents which are material to the franchise. PDRI claims copyrights on its software and its Operations Manual although it has not filed an application for a copyright registration for the Operations Manual.

Item 11 describes limitations on your use of the Operations Manual. Any changes to the Operations Manual require vote of the General Council and if it is changed, you must comply with these changes and PDRI will not reimburse you for any expenses you incur in making these changes.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Either the individual franchise owner or a designated representative, who must be approved by PDRI, must personally participate in franchise operations. The designated representative of each franchise must have completed the full training program and manage the franchise on a full-time basis. The designated operator cannot have an interest in or business relationship with any competitor of PDRI or its franchisees and he or she must sign an agreement to maintain confidentiality of the trade secrets described in Item 14 and to abide by the covenants not to compete described in Item 17.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

The Franchise Agreement limits the goods or services which you may sell to those offered in the franchise system. The Franchise Agreement does not limit the customers to whom you may sell such goods or services, but you are subject to the compensation provisions for cross territory services set forth in the Operations Manual. See Exhibit H. You must offer all services that PDRI designates as required in your Franchise Agreement. If the General Council establishes new services, you must offer them. There are no limits on the General Council's right to establish new services.

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.

	PROVISION	SECTION IN AGREEMENT	SUMMARY
a.	Term of franchise	Article 5	5 years
b.	Renewal or extension of term	Article 5	Additional 5 years
c.	Requirements for you to renew or extend	Article 5	Includes: 3 month notice of intent; sign new Franchise Agreement; bring computer hardware and other equipment up to then current standards; compliance throughout term; general release
d.	Termination by you	None	
e.	Termination by PDRI without cause	Article 17	None
f.	Termination by PDRI with cause	Article 17	Unless your state law requires a longer period to cure, you have 15 days to cure certain defaults, such as nonpayment of fees; failure to pay suppliers; failure to operate in accordance with Operations Manual and other defaults listed in Section 17.1
g.	"Cause" defined; curable defaults	Article 17	Unless your state law requires a longer period to cure, you have 15 days to cure certain defaults, such as: nonpayment of fees; failure to pay suppliers; failure to operate in accordance with the Operations Manual and other defaults listed in Section 17.1

	PROVISION	SECTION IN AGREEMENT	SUMMARY
h.	"Cause" defined, non-curable defaults	Article 17	No right to cure defaults such as: failure to timely begin operation; material or repeated misrepresentation in reporting gross sales; insolvency; non-approved assignment; conviction of a felony; two or more repeated violations of curable defaults within 12 month period
i.	Your obligations on termination/ nonrenewal	Article 19	Obligations include complete de-identification; payment of sums due; transfer of phone numbers and domain names; return of materials (see also r. below)
j.	Assignment of contract by PDRI	Article 20	No restriction of PDRI's right to assign. No assignment will be made except to an assignee who, in the good faith and judgment of the Franchisor, is willing and able to assume the Franchisor's obligations under the Franchise Agreement.
k.	"Transfer" by you; definition	Article 20	Includes transfer of contract or assets, as well as any ownership change
l.	PDRI's approval of transfer by you	Article 20	PDRI has right to approve all transfers, applying same criteria as to new franchisees
m.	Conditions for PDRI's approval of your transfer	Article 20	New franchise qualified; transfer fee paid; training agreed to; transferee must execute new franchise agreement and agree to then current royalty and fee schedule; computer hardware and other equipment brought up to current standards, if necessary; your accounts settled
n.	PDRI's right of first refusal to acquire your business	Article 20	PDRI has right to acquire on same terms as third party offer

	PROVISION	SECTION IN AGREEMENT	SUMMARY
o.	PDRI's option to acquire your business	Article 20	None (except right of first refusal described above)
p.	Effect of your death or disability	Article 20	Heir can inherit if conditions for approval (item m. above) are followed
q.	Non-competition covenants during term of the franchise	Article 22	Cannot participate in competing business
r.	Non-competition covenants after termination	Article 22	No competing business for 2 years after termination within protected territory or in other PDRI territories
s.	Modification of franchise agreement	Article 26	Only by mutual consent
t.	Integration/merger clause	Article 31	Only the terms of the Franchise Agreement are binding. Any other promise will not be enforceable
u.	Dispute resolution by arbitration	Article 23	All disputes must be submitted to binding arbitration
v	Choice of forum	Article 23	Subject to state law; arbitration forum is selected by the Arbitration Committee
w.	Choice of law	Article 29	Subject to state law; Florida law will apply

NOTE TO ITEM 17:

Any provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under Federal Bankruptcy Law (11 U.S.C. §101, et seq.)

These states have statutes which may supersede the Franchise Agreement in your relations with the Franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807]; CALIFORNIA [Bus. & Prof. Code Sections 20000-20043]; CONNECTICUT [Gen.Stat. Section 42-133e et seq.]; DELAWARE [Code, tit.]; HAWAII [Rev.

Stat. Section 482E-1]; ILLINOIS [Rev. Stat. Chapter 121 2 & 1719-1720]; INDIANA [Stat. Section 23-2-2.7]; IOWA [Code Sections 523H.1-523H.17]; MICHIGAN [Stat. Section 19.854(27)]; MINNESOTA [Stat. Section 80C.14]; MISSISSIPPI [Code Section 75-24-51]; MISSOURI [Stat. Section 407.400]; NEBRASKA [Rev. Stat. Section 87-401]; NEW JERSEY [Stat. Section 56:10-1]; SOUTH DAKOTA [Codified Laws Section 37-5A-51]; VIRGINIA [§13.1-517 through 13.1-574 of the Code of Virginia]; WASHINGTON [Code Section 19.100.180]; and WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supercede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

NOTICE TO PROSPECTIVE FRANCHISEES IN MINNESOTA

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statues, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3,4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Rule 2860.4400D which prohibits a franchisor from requiring a franchisee to assent to a general release as a requirement to renew or extend.

NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK

The following represents a list of special provisions which amend, replace or modify the disclosures made in the foregoing Item 17 and which apply to residents of and franchisees conducting business within the State of New York:

Provision D. The Franchisee may terminate the Franchise upon any ground permitted by law.

Provision J. No assignment will be made except to an assignee who, in the good faith and judgment of the Franchisor, is willing and able to assume the Franchisor's obligations under the Franchise Agreement.

Provision S. Revisions to the Manual will not unreasonably affect the Franchisee's obligations, including economic requirements, under the Franchise Agreement.

Provision W. The foregoing choice of law will not be considered a waiver conferred upon the Franchisee by the GBL of the State of New York, Article 33.

ITEM 18: PUBLIC FIGURES

PDRI does not use any public figures to promote its franchises.

ITEM 19: EARNINGS CLAIMS

PDRI provides in Exhibit J-1 actual franchise sales of operating franchises during the period shown in Exhibit J-1. All actual sales figures have been provided to PDRI by its franchisees, who are required by the Franchise Agreement to engage a certified public accountant to prepare financial statements. However, PDRI has not audited these financial statements to determine whether they were prepared in accordance with generally accepted accounting principles. The amounts represented in Exhibit J-1 are actual amounts reported to PDRI by all operating franchisees.

PDRI provides in Exhibit J-2 actual sales prices of PDRI franchises sold during the period shown in Exhibit J-2. All actual sales prices have been provided to PDRI by its franchisees. Franchisees who wish to sell their PDRI franchise are required by the Franchise Agreement to submit a copy of the sale agreement between the franchisee and the franchise's buyer. Once PDRI has approved the sale, neither the buyer nor the selling franchisee are required to submit any further information concerning the sales price or evidence that the full sales price was paid. Accordingly, while PDRI has no reason to believe that any of the information provided by its franchisees concerning the sale of their PDRI franchise is incorrect or false, PDRI cannot represent or warrant that the sales figures provided to it by its franchisees is all the information available to its franchisees or that it is completely accurate.

Upon request, PDRI will provide you with substantiation of the data it used to prepare Exhibits J-1 and J-2, however, with respect to sale price information, we will not disclose the identity of any specific franchisee or the location of the franchise sold.

NOTICE REQUIRED BY THE STATE OF CALIFORNIA

The earnings claims figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

ITEM 20: LIST OF OUTLETS

Exhibit A identifies the names of all franchisees and the addresses and telephone numbers of all of their outlets. All franchise outlets reported in Exhibit A are substantially similar to the franchises offered in this offering circular, other than the size of the territory. All franchises receive or have available substantially the same services from PDRI.

The name and last known home address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year is attached hereto as Exhibit A. There are no franchisees who have not communicated with PDRI in the ten weeks prior to the application date.

CHART I

FRANCHISE STATUS SUMMARY
FOR FISCAL YEARS ENDING DECEMBER 31, 2003/2004/2005[1]

State	Transfers of Controlling	Canceled or Terminated	Not Renewed[3]	Reacquired by Franchisor[4]	Left the System/Other	Total from Left Columns[2]	Franchises Operating at Year End
Alabama	0/0/1	1/0/0	0/0/0	0/0/0	0/0/0	1/0/1	3/3/3
Alaska	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/1
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/3/3
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
California	1/1/2	2/2/1	0/0/0	0/0/0	0/0/0	3/3/3	14/15/14
Colorado	0/1/2	0/0/0	0/0/0	0/0/0	0/0/0	0/1/2	5/5/5
Connecticut	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	4/5/5
Delaware	1/0/0	0/1/0	0/0/0	0/0/0	0/0/0	1/1/0	2/1/1
Florida	2/2/1	0/1/1	0/0/0	0/0/0	0/0/0	2/3/2	26/25/24
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	10/10/11
Hawaii	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/1/1
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/2/2
Illinois	1/0/0	0/1/2	0/0/0	0/0/0	0/0/0	1/1/2	6/5/3
Indiana	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	6/5/6

State	Transfers of Controlling	Canceled or Terminated	Not Renewed[3]	Reacquired by Franchisor[4]	Left the System/Other	Total from Left Columns[2]	Franchises Operating at Year End
Iowa	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	1/2/2
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Kentucky	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	8/7/7
Louisiana	0/1/1	0/1/1	0/0/0	0/0/0	0/0/0	0/2/2	4/3/3
Maine	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	2/2/2
Maryland	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	5/5/5
Massachusetts	1/0/1	0/1/0	0/0/0	0/0/0	0/0/0	1/1/1	7/7/7
Michigan	0/0/0	1/0/1	0/0/0	0/0/0	0/0/0	1/0/1	8/9/8
Minnesota	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	1/0/1
Mississippi	1/0/1	0/1/0	0/0/0	0/0/0	0/0/0	1/1/0	2/2/2
Missouri	0/0/0	0/1/1	0/0/0	0/0/0	0/0/0	0/1/1	4/3/3
Nebraska	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	3/3/4
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
New Hampshire	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	2/2/2
New Jersey	0/1/0	1/0/1	0/0/0	0/0/0	0/0/0	1/1/1	8/8/9
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
New York	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	9/9/9
North Carolina	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	8/8/8
North Dakota	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	1/1/1
Ohio	0/3/1	1/0/0	0/0/0	0/0/0	0/0/0	1/3/1	8/9/9
Oklahoma	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	2/1/1
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Pennsylvania	0/2/0	0/1/0	0/0/0	0/0/0	0/0/0	0/3/0	8/8/8
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	7/7/7
Tennessee	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	5/5/5
Texas	1/0/0	2/2/3	0/0/0	0/0/0	0/0/0	3/2/3	10/9/6
Utah	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	3/3/3
Vermont	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Virginia	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	7/8/7

State	Transfers of Controlling	Canceled or Terminated	Not Renewed[3]	Reacquired by Franchisor[4]	Left the System/Other	Total from Left Columns[2]	Franchises Operating at Year End
Washington	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	5/6/6
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/4/4
TOTALS	11/14/17	8/16/12	0/0/0	0/0/0	0/0/0	19/30/29	219/219/215

NOTE 1: All numbers are as of December 31 of each year.

NOTE 2: The numbers in the "Total" column may exceed the number of outlets affected because several events may have affected the same outlet. For example, the same outlet may have had multiple owners.

NOTE 3: PDRI did not fail to renew any franchised outlets during the years 2003, 2004 and 2005.

NOTE 4: PDRI does not operate any company owned outlets.

NOTE 5: All franchises are listed by the state in which their office is located. However, the franchise territory of some franchises extend into more than one state. See Exhibit A, Appendix "A", for a list of franchises with multi-state franchise territories.

CHART II

STATUS OF COMPANY OWNED OUTLETS

PDRI does not operate company owned outlets.

CHART III

PROJECTED OPENINGS
FOR FISCAL YEARS ENDING DECEMBER 31, 2006

State	Franchise Agreements Signed But Outlets Not Open	Projected Franchised Outlets to be Opened in the Next Fiscal Year	Projected Company Owned Openings in the Next Fiscal Year
Alabama	0	1	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	1	0
California	0	1	0
Colorado	1	0	0
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	1	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	1	0
Indiana	0	1	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	1	1	0
Michigan	0	1	0
Minnesota	0	1	0
Mississippi	0	0	0
Missouri	1	1	0
Montana	0	0	0
Nebraska	0	0	0

State	Franchise Agreements Signed But Outlets Not Open	Projected Franchised Outlets to be Opened in the Next Fiscal Year	Projected Company Owned Openings in the Next Fiscal Year
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	1	0
North Carolina	0	0	0
North Dakota	0	0	0
Ohio	0	1	0
Oklahoma	0	0	0
Oregon	0	1	0
Pennsylvania	0	1	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	1	0
Utah	0	0	0
Vermont	0	1	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
TOTALS	3	16	0

ITEM 21: FINANCIAL STATEMENTS

Exhibit B of this offering circular contains the following financial statements:

1. Audited consolidated financial statements of The Franchise Company (U.S.) Inc., as parent for PDRI, for fiscal year ended December 31, 2004 and 2005; and

2. Audited consolidated financial statements of The Franchise Company (U.S.) Inc., as parent for PDRI for fiscal year ended December 31, 2003 and 2005

IF ANY OF THE ENCLOSED FINANCIAL STATEMENTS ARE UNAUDITED, PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO CONTENT OR FORM.

Certain states and the Federal Trade Commission require that Guarantees of Performance be given by the Franchise Company (U.S.) Inc. Original guarantees are on file in the following states: California, Illinois, Indiana, Minnesota, New York, South Dakota, Virginia, Washington, and Wisconsin. Copies of these guarantees are attached as Exhibit F. The Franchise Company (U.S.) Inc. absolutely and unconditionally guarantees PDRI's obligations under the Franchise Agreement.

ITEM 22: CONTRACTS

Copies of PDRI's Franchise Agreement and Promissory Note are attached as Exhibits C and K. Copies of the agreements used in connection with the resale of existing franchises, along with additional information concerning resale, are attached as Exhibit I.

ITEM 23: RECEIPTS

The last two pages of this offering circular contain the receipt/acknowledgement that the prospective franchisee received a copy of this offering circular and the exhibits attached to it.