



FRANCHISE OFFERING CIRCULAR

Anago Franchising, Inc.
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RECEIVED
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DEPARTMENT OF CORPORATIONS
LOS ANGELES OFFICE

Anago Franchising offers Subfranchise rights to sell its proprietary system of commercial janitorial services to unit franchisees.

The initial Franchise Fee charged is not identical for all Master Franchises. The minimum Initial Franchise Fee for a Master Franchise is \$100,000. The method for calculating the fee is 9,500 to 15,000 US Dollars for each 100,000 thousand of population located within the counties and or cities that will comprise the Master Franchise territory, a portion of which may be financed. The estimated initial investment required, in addition to the Initial Franchise Fee, is between \$233,025 and \$1,204,000 which would include, insurance, bonding and office set-up. Items 5-7 give further explanation regarding the Franchisee's total investment.

Risk Factors:

WE HAVE INSTITUTED CERTAIN SALES VOLUMES AND MARKET PENETRATION, WHICH ESTABLISHES MINIMUM ROYALTY PAYMENTS. IF THE SALES VOLUME AND MARKET PENETRATION ARE NOT MET, YOU ARE CAUTIONED THAT YOUR ABILITY TO PAY DEBTS AND EXPENSES ARE SEVERELY ENCUMBERED. THEREFORE, YOUR CONTINUATION OF TERRITORIAL EXCLUSIVITY IS DEPENDENT UPON ACHIEVEMENT OF THAT SALES VOLUME AND MARKET PENETRATION. FAILURE TO MEET ANAGO'S MINIMUM LEVELS COULD RESULT IN THE LOSS OR MODIFICATION IN THE EXCLUSIVITY RIGHTS TO THE TERRITORY.

FAILURE TO PAY MINIMUM ROYALTY FEES BETWEEN \$24,000 AND \$60,000 CONSTITUTES A DEFAULT UNDER THE SUBFRANCHISE RIGHTS AGREEMENT AND GROUNDS FOR TERMINATION OF YOUR FRANCHISE RIGHTS.

AN ADVERSE DETERMINATION BY THE PATENT AND TRADEMARK OFFICE MAY RESULT IN YOUR DISCONTINUANCE OF THE USE OF THE MARK AND CHANGES IN SIGNAGE AND OTHER ITEMS BEARING THE PROPRIETARY MARKS.

THERE MAY BE OTHER RISKS CONCERNING YOUR FRANCHISE.

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

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn anything in the offering circular is untrue, contact the Federal Trade Commission and State Authorities.

The date of issuance of this Disclosure Statement is _____.

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ITEM 1 - THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor

The name of the franchisor is Anago Franchising, Inc. In order to simplify the language in this Franchise Offering Circular, "we," "us" or "our" means Anago Franchising, Inc. and "you" or "your" means the person who buys the subfranchise rights. We do business under the names "Anago Franchising, Inc." or "Anago." We do not do business under any other name. We maintain our principal business address at Suite 625, 3111 N. University Drive, Coral Springs, Florida 33065. We are a Florida corporation formed on February 15, 1995.

We are a licensee of Anago Cleaning Systems, Inc. who licenses us to use and to sublicense to our Subfranchisors and their unit franchisees the use of the Proprietary Marks and other Proprietary Property. Anago Cleaning Systems, Inc. is a separate corporation from us and is our parent company. Please see the subheading **Our Predecessor**, below, for additional information on Anago Cleaning Systems, Inc.

Our Experience

We have not operated a business of the type you will operate. We are not in any other line of business, except for the ownership, operation and sale of the type of subfranchise rights offered under this Franchise Offering Circular. Our affiliate, Estrellita, Inc., who is our subfranchisor in Dade, Broward and Palm Beach Counties, State of Florida, has operated a business of the type you will operate for 10 years.

Our agent for service of process in this state may be found on Exhibit B.

Our Business

We were formed for the purpose of offering and selling Anago Subfranchise Rights and servicing, supporting and administering all functions inherent in operating the System. We have a license from Anago Cleaning Systems, Inc. to use its Proprietary Marks and the System and to sublicense these items to Subfranchisors and their Unit Franchisees in the U.S. and Internationally.

Our Predecessor

The name of our predecessor is Anago International, Inc. that began selling franchises in 1991. Anago International, Inc. is no longer in the Franchise business. Anago Cleaning Systems, Inc., a Florida corporation is our parent company. Our parent company maintains its principal business address at 3111 University Drive, Suite 625, Coral Springs, Florida 33065. The parent company was incorporated on December 5, 2000.

The parent company is a separate corporation from us and is not responsible for our activities. The Predecessor is an independent entity without liability for our acts and omissions and we are an independent entity without liability for the acts and omissions of the Predecessor.

Our Affiliate

The name of our affiliate is Estrellita, Inc., a Florida corporation (the "Affiliate"). The Affiliate maintains its principal business address at 3350 NW 22nd Terrace, Suite 1200B, Pompano Beach, Florida 33069. The Affiliate was incorporated on February 15, 1995 and has conducted a business of the type you will operate since 1995. The Affiliate is our subfranchisor for Dade, Broward and Palm Beach Counties in the State of Florida. Our Affiliate's predecessor was Anago International, Inc. Anago International, Inc. is no longer in the Franchise business.

The Affiliate is a separate corporation from us and is not responsible for our activities. The Affiliate is an independent entity without liability for our acts and omissions and we are an independent entity without liability for the acts and omissions of the Affiliate.

Description of Our Subfranchise Rights

The business you will conduct is that of a subfranchisor of janitorial service franchises. You will sell Unit Franchises to independent persons in your territory, who along with yourself will be licensed to use the Anago trademarks, trade names, service marks, trade secrets, programs, materials and procedures in the performance of janitorial service contracts and related supply and equipment services. You will be selling janitorial service contracts and assigning them to your Unit Franchisees. As a subfranchisor, you will be competing with national and local businesses offering comparable services.

Applying for Subfranchise Rights

You, as a subfranchisor, will enter the Anago system either by developing a new Anago territory or by purchasing an existing territory. We have absolute discretion and the right to approve or disapprove your application or the contemplated transaction. We will decide whether to approve your application based on several factors, including your experience, qualifications, financial status, net worth and the availability of opportunities for development of new unit franchises in the relevant geographic area.

In order to apply for Anago Subfranchise Rights, you must complete and submit a franchise application. THE PROCESSING OF YOUR APPLICATION CANNOT BEGIN UNTIL ALL INFORMATION HAS BEEN SUBMITTED AND CONFIRMED.

Your submission of a franchise application authorizes us to obtain a credit check and to check your records with the Division of Motor Vehicles and the courts. All information received from these confirmations will be held in confidence and made available to the applicant upon request. If two (2) or more persons apply for Subfranchise rights, each must submit a separate franchise application with a personal financial statement. A separate franchise application must also be submitted for any entity proposed to have an interest in the franchise.

You must successfully complete our initial interview process, which will take place at your location or in Coral Springs, Florida. If there is a continuing mutual interest following these interviews, we may offer you a Deposit Agreement (the "Deposit Agreement"), (a copy of the

current form is attached as Exhibit C). The Deposit Agreement sets forth the terms of the preliminary approval and specifies the target territory and population in which you are authorized to search for office space for the location of your office.

Subfranchise Fee Deposit

Upon signing the Deposit Agreement, you must pay a deposit equal to the down payment for the territory. We may grant you approval to pursue additional target locations without requiring an additional deposit, except as described below. The Subfranchise Fee Deposit is nonrefundable; however, we will credit the Subfranchise Fee Deposit against the Initial Subfranchise Fee upon signing the Subfranchise Rights Agreement. The Subfranchise Fee Deposit may be transferred from the original target territory to a substitute target territory, if we agree on the substitute target territory. We will refund up to 75% the Subfranchise Fee Deposit should the parties not enter into a Subfranchise Rights Agreement within 30 days of the signing and payment of the Subfranchise Deposit, or if an acceptable site for the Master Franchise Office is not secured within 60 days after the signing of the Subfranchise Rights Agreement. There are no other provisions for a refund of the Subfranchise Deposit Fee.

Site Development

Upon receipt of the signed and paid Site Development Services Agreement, (Exhibit D to this UFOC), we will schedule our representative to visit your Master Franchise Territory for the purpose of selecting an office site as well as developing business relationships with area vendors concerning telephone systems, office furniture, office supplies, janitorial supplies and newspaper advertising.

You agree to open the Master Franchise Office in a Class A or Class B building, with the location having been approved by us.

YOU SHOULD NOT LEASE, PURCHASE OR OTHERWISE COMMIT FINANCIALLY TO A POTENTIAL SITE UNTIL YOU HAVE RECEIVED WRITTEN SITE APPROVAL. Any unauthorized commitment is made at your sole risk.

Regardless of whether we grant Site Approval, we make no representation about the suitability, viability or potential sales at any site. Site Approval is granted or denied by us based on our own business interests, and you must make your own business judgment about any potential site. You must also construct, equip and furnish the office at the approved site in accordance with plans and specifications approved by us. Our approval of your plans and specifications is for our own purposes only. You are responsible for ensuring that your office is constructed, equipped and furnished in a manner that complies with all applicable laws, regulations, codes and other such requirements.

Before the planned opening of your office, you will receive a signed copy of the Subfranchise Rights Agreement and be required to return the signed Subfranchise Rights Agreement and the balance of the Initial Subfranchise Fee.

THE PROCESS OF APPLYING FOR SUBFRANCHISE RIGHTS, OBTAINING NECESSARY APPROVALS (INCLUDING THE COMPLETION OF TRAINING) AND DEVELOPING AN OFFICE, TAKES A SUBSTANTIAL PERIOD OF TIME AND INVOLVES RISKS.

IF YOU CHOOSE TO MAKE CHANGES IN YOUR EMPLOYMENT STATUS, FINANCIAL ARRANGEMENTS OR LIFESTYLE IN ANTICIPATION OF OBTAINING FRANCHISE APPROVAL FROM US OR OF OPENING YOUR OFFICE AFTER YOU HAVE OBTAINED PRELIMINARY APPROVAL, YOU DO SO AT YOUR OWN RISK. DO NOT MAKE THESE DECISIONS WITHOUT CAREFUL THOUGHT.

Our approval of your application for Subfranchise Rights does not ensure your success. Your success will depend upon your own ability as an independent businessperson and on other factors. We make no representation or warranty as to your success. No employee or representative of us is authorized to make any representation or warranty. You should make an independent investigation regarding the purchase of Anago Subfranchise Rights and the Anago System. You should visit and speak to existing subfranchisors and franchisees and obtain the advice of an attorney and accountant who have experience and knowledge of franchise relations and ownership.

Industry Specific Regulations

There are no statutes or regulations specific to the operation of an Anago Franchise. You are required to comply with all local, state and federal laws in the operation of your Anago Franchise. There may be other laws applicable to your business and we urge you to make additional inquiries about these laws.

Franchise Offering and Sales Regulations

You, as a subfranchisor, will be selling Anago unit franchises to individuals in your exclusive area. You are required to register with regulatory authorities as required in exclusive area in order to offer and sell franchises. You are also required to retain counsel to ensure that you meet any requirements of registration with all regulatory agencies. All registration materials to be filed with your exclusive area regulatory authorities must be submitted to Anago for approval prior to filing.

Competition

You will have to compete with other businesses selling similar products and services. Competitors include national chains, regional chains and independently owned commercial cleaning service providers.

ITEM 2 - BUSINESS EXPERIENCE

The following persons are the directors, principal officers and other executives who have management responsibility in the operation of our business for the Subfranchise Rights described in this Franchise Offering Circular and all franchise brokers. The principal occupation, title and business experience of each person during the last 5 years including the names and locations of employers is indicated below:

Terry M. Mollica, President

Terry M. Mollica joined Anago as Vice President and COO on July 1, 1995. He was appointed to the office of President in April 2004. Mr. Mollica is co-developer of the NBDS and IGAS computer systems currently used by Anago Cleaning Systems. He has over 20 years operational and management experience in the janitorial franchise industry. Terry held the position of Operations Manager with Jani-King of Miami from 1990 until 1992 as well as previously owning and operating a Jani-King unit Franchise for over three years.

Mary E. Barker, Senior Vice President/ Franchise Development

Ms. Barker has been with Anago Franchising since its inception in 1995. She has held several positions within the Anago system, starting with, our Predecessor, Anago International, Inc. in 1993, to include, Director of Administration, as well as, Regional Director of the South Florida Master Franchise. Ms. Barker is co-developer of the NBDS and IGAS computer system.

Judy Walker, Vice President Marketing

Judy Walker joined Anago Franchising in August 2001 and became Director of Franchise Marketing in 2002. She was appointed Vice President of Marketing in February 2005. Mrs. Walker started with Anago International, Inc. in 1994 and became head of the telemarketing department in August 1994. In April 1998, she became Director of Telemarketing for the South Florida Master Franchise. Previously, she was Assistant Director of Sales and Marketing for Windows on the World Restaurant in New York City. She is fluent in Italian and Spanish.

Saul B. Lipson, Accounting Consultant

Mr. Lipson is the owner of the Lipson Professional Group, Inc. d/b/a Saul B. Lipson & Company. He has been in business in Broward County since November 1982. His firm is an accounting/financial consulting firm. He holds a Masters degree in Accounting from Nova Southeastern University and is enrolled to practice before the IRS and is a Certified Financial Planner.

There can be no assurance that these persons will remain affiliated with us indefinitely or for any time, or that the scope of their involvement will not change.

ITEM 3 - LITIGATION

No litigation must be disclosed in this Franchise Offering Circular.

ITEM 4 - BANKRUPTCY

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

ITEM 5 - INITIAL FRANCHISE FEE

Subfranchise Fee Deposit

Upon signing the Deposit Agreement, you must pay a deposit equal to the down payment for the territory. We may grant you approval to pursue additional target locations without requiring an additional deposit, except as described below. The Subfranchise Fee Deposit is nonrefundable, however, we will credit the Subfranchise Fee Deposit against the Initial Subfranchise Fee upon signing the Subfranchise Rights Agreement. The Subfranchise Fee Deposit may be transferred from the original target territory to a substitute target territory, if we agree on the substitute target territory. We will refund up to 75% of the Subfranchise Fee Deposit only if the proposed "site approval" is rejected and a subsequent "site approval" is denied.

Initial Subfranchise Fee

The Initial Subfranchise Fee for Anago Subfranchise Rights starts from \$100,000 with the method for calculating the fee at 9,500 to 15,000 US Dollars for each 100,000 thousand of population located within the counties and or cities that will comprise the Master Franchise territory. The Initial Subfranchise Fee is payable to us in full upon signing the Subfranchise Rights Agreement. The Initial Subfranchise Fee is fully earned and non-refundable upon signing the Subfranchise Rights Agreement. The Initial Subfranchise Fee is as stated below for all Subfranchisors to whom we are currently offering Subfranchise Rights. You are responsible to pay any sales, use or other taxes (other than our income tax) relating to the purchase of Anago Subfranchise Rights.

You delineate specific population categories, which may be adjusted $\pm\%$ in order to facilitate a specific target area and subsequent Subfranchise Rights Agreement. Modifications of the Initial Subfranchise Fees based upon the population criteria as stated above will be negotiated by you and us. These population figures must be agreed upon before signing the Subfranchise Rights Agreement.

Unit Franchise Fee

You will pay to us a flat fee sum of \$400.00 for each Anago unit Franchise sold by or on

the behalf of your Subfranchise. You must submit to us a signed copy all Unit Franchise Agreements within 10 days after the date of those agreements.

Training Fees

We will provide, at no extra charge to you, the Anago Training Program and training materials at our location in Coral Springs, Florida. You are solely responsible for all travel, meals and lodging costs for your attendees. If the training is to be done at your location, then you will be billed for all costs associated with travel, lodging and food for the Anago training team. See ITEM 11 for additional information on training.

Site Development Services Fees

You will retain us to provide site development services as described in ITEM 1, p. 3, you will pay to us \$250 per day consulting fees plus travel expenses, meals and lodging. Our services are outlined in Exhibit D – Site Development Services Agreement.

ITEM 6 - OTHER FEES

The following is a detailed description of other recurring or isolated fees or payments that you must pay to us or our affiliates or that we or an affiliate imposes or collects for a third party.

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	The greater of (i) 5% of weekly Gross Revenues received by you and/or the Unit Franchisee under a Unit Franchise Agreement, or a minimum of \$2,000 per month the 2 nd year, \$3,000 per month the 3 rd year, \$4,000 per month the 4 th year and \$5,000 per month the 5 th year	By Wednesday for the previous week.	"Gross Revenues" means the entire amount of all of your Client revenues from the ownership and operation of your Anago Subfranchise.
Training Fees	Additional training as set by our Predecessor or us. Initial training is provided without charge.	As incurred.	We will provide, at no extra charge to you, the Anago Training Program for subfranchisors and training literature and materials. You are solely responsible for all travel, meals and lodging costs for your attendees. If the training is to be

Name of Fee	Amount	Due Date	Remarks
			done at your location, then you will be billed for all costs associated with travel, lodging and food for the Anago training team. Any training fee paid is not refundable under any circumstance. See ITEM 11 for additional information training. If you receive unsatisfactory inspection reports from us and fail to promptly remedy the deficiencies, we may require you and designated employees to attend refresher training at our location as soon as reasonably possible. You are solely responsible for all expenses associated with these programs including all travel, meals and lodging costs of your attendees. If you fail the Anago Training Program, you must attend retraining classes in the areas the training officer feels are necessary for you to successfully complete the Anago Training Program for subfranchisors.
Accounting Fees			In our effort to facilitate your cash flow and familiarization with the NBDS Software, we require that your invoicing be provided by us for not less than 6 months (the "break-in period") and , indefinitely, after an Event of Default.
Deficiencies	Actual cost to us	Immediately upon receipt of invoice	If you do not satisfy your obligations under the Subfranchise Rights Agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations.
Anago NBDS Software Support ¹	\$100.00 per month	Immediately upon receipt of invoice	Paid directly to us.
Transfer Fee	\$5,000	At the time of transfer	Upon a transfer, you or your personal representative or other legal representative must pay a Transfer Fee in lieu of an Initial Subfranchise Fee. If the transferee is a spouse or child of the transferor, no Transfer Fee will be charged, but a reasonable administrative fee (currently \$2,500) will be charged.
Initial Fee for	None		An initial complete set of Manuals will

Name of Fee	Amount	Due Date	Remarks
Manuals			be provided to you at no cost. The Manuals contain trade secrets and proprietary materials of Anago and great care should be taken to preserve the Manuals and the information they contain.
Indemnification	Actual cost to us	Immediately upon receipt of invoice	You indemnify and hold us harmless from all damages (including reasonable attorneys' fees and costs, even if incident to appellate, post-judgment or bankruptcy proceedings), from claims brought by third parties involving your ownership or operation of your Anago business. This indemnity obligation continues in full effect after the expiration or termination of your Subfranchise Rights Agreement.
Enforcement Costs	Actual cost to us	Immediately upon receipt of invoice	If any legal action or other proceeding is begun for the enforcement of your Subfranchise Rights Agreement, or because of an alleged dispute, breach, default or misrepresentation under any provision of your Subfranchise Rights Agreement, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your Subfranchise Rights Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Subfranchise Rights Agreement, you must reimburse us for all of the Enforcement Costs we incur.
Miscellaneous Franchisee Merchandise	Various	Immediately upon receipt of invoice	We make available miscellaneous and sundry items embossed with Anago's logo. These items can be purchased through us for the then current price. Items include polo and T-shirts, aprons, caps and other miscellaneous and sundry items. You are not allowed to purchase, design or develop any item bearing the Anago logo without our written consent.

Name of Fee	Amount	Due Date	Remarks
Sale of Unit Franchise Fee	\$400 flat fee.	Upon sale of each Unit Franchise	As long as the Subfranchise Rights Agreement is in force, you will pay a flat fee of \$400 for each Unit Franchise sold by you. This is a flat fee that is non-refundable.
Advertising Fee	Various	When Invoiced	Advertising Fees, when imposed shall be paid upon receipt of invoice.
Audit	Cost of Audit	Immediately upon receipt of invoice.	If an audit by us discloses an understatement of Gross Revenues in excess of 5% for any period or periods, you will be required to reimburse us for all costs of the audit in addition to paying past due Royalties, Advertising Fees (when imposed) plus any late charges that may have accrued.

¹ Anago NBDS Software Support Relative to the Computer Software License Agreement attached to this Franchise Offering Circular as Exhibit III. You must purchase software maintenance and support services from a supplier approved by us. As of the date of this Franchise Offering Circular, our supplier charges \$100.00 per month, (invoiced in advance, quarterly) for program maintenance and modem support services; however, this fee is subject to change. If you damage, lose or change the original software, you will be required to pay us the then current cost of replacement. This and all software payments are not refundable.

Uniformity; Nonrefundable

The fees and costs in this ITEM are uniform for persons currently offered Subfranchise Rights. Except as otherwise provided above, they are non-refundable and are not collected for, nor paid to, any third party.

Payment Schedule

Our share of Royalty Fees will be deducted by Wednesday during the Term for the previous week. All other amounts due to us from you will be paid at this time. If no time is specified, these amounts are due upon receipt of an invoice from us. Any payment we do not actually receive on or before the due date (through no fault of our own) is overdue.

Cooperatives

There are currently no cooperatives that you may or must participate; however, we may negotiate with some suppliers for you, at your request.

ITEM 7 - INITIAL INVESTMENT

We present the following estimate of your initial investment to become an Anago Subfranchisor. The estimates presented cover the period before the opening and for the initial phase of your Anago Subfranchise (6 months). They do not provide for your cash requirements to cover operating costs after the initial phase or personal living expenses. You must have additional sums available, whether in cash or through unsecured credit lines, or have other assets that you may liquidate, or that you may borrow against, to cover your personal living expenses and any operating costs after the initial phase of your Anago Subfranchise. We urge you to retain the services of an experienced accountant or financial advisor in order to develop a business plan and financial projections for your Anago Subfranchise.

Your actual investment will vary depending upon local conditions peculiar to your geographic area or market conditions. We do not expect you to purchase real estate or construct the building containing your Anago Subfranchise although this may be done. You must maintain an appropriate business office, which must be approved as to location and décor by us. (See ITEM 1, pp. 3 and 4.) You must not operate your business from a home office.

The following chart contains a summary of your initial investment. Unless otherwise indicated, payments are generally not refundable.

Expense	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Subfranchise Fee Deposit ¹	\$50,000 to \$300,000	Lump sum	On signing the Deposit Agreement	Us
Initial Subfranchise Fee ²	\$100,000 to \$1,000,000	Lump Sum (if cash) or 120 months (if financed)	On signing the Subfranchise Rights Agreement or 120 months	Us
Site Development Services Fee ³	\$1,000 to \$2,500	Lump Sum	Upon receipt of invoice.	Us
Incorporation and/or Legal Review ⁴	\$400 to \$2,000	Lump Sum	Before beginning business	Third Party
Fictitious Name Registration ⁵	\$100 to \$500	Lump Sum	Before beginning business	Third Party
Legal FOC Development ⁶	\$3,000 to \$5,000	As Incurred	Before beginning business	Franchise Attorney
Licenses and Permits ⁷	\$125 to \$1,000	Lump Sum or monthly installments	Before beginning business	Governmental authorities

Expense	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Insurance ⁸	\$15,000	Lump Sum or monthly installments	Before beginning business	Third Party
Travel, Lodging, Meals, etc for Initial Training ⁹	\$1,500 to \$3,500	As Incurred	Before beginning business	Third Parties
Real Property (Business Office) ¹⁰	\$1,500 to \$3,500	As Arranged	As Arranged	Lessor
Security Deposits ¹¹	\$1,000 to \$5,000	Lump Sum	Prior to opening	Government Agencies Utility companies
Furniture and Fixtures ¹²	\$3,000 to \$10,000	Lump Sum Installment	Prior to opening	Third Parties
Office Equipment ¹³	\$500 to \$3,000	Lump Sum	Prior to opening	Varies
Office Supplies ¹⁴	\$1,500 to \$2,500	Lump Sum or installments/ Lease	Before beginning business	Third Party
Computers Printers ¹⁵	\$12,000 to \$15,000	Lump Sum	30 days prior to opening	Anago may arrange with Vendor
Software and Installation ¹⁶	\$2,500 to \$3,000	As incurred	30 days prior to opening	Anago arranges with Vendor
Vehicle Operating Expenses ¹⁷	\$7,200 to \$12,000	As Incurred	As incurred	Third Parties
Miscellaneous Start-up Costs ¹⁸	\$2,000 to \$5,000	As Incurred	Before beginning business	Third Parties
Working Capital (6 months) ¹⁹	\$80,200 to \$115,500		First 6 months of operation	Third Parties
TOTALS	\$233,025 to \$1,204,000			

^{1/} See ITEM 1, p.3 above for a description of the Subfranchise Fee Deposit.

^{2/} See ITEM 5 for a description of Initial Subfranchise Fee.

^{3/} See ITEM 1, p.3 above for a description of the Site Development Services Fee.

^{4/} We require that all subfranchisors be a business entity utilizing a combination of numbers or letters totaling four characters..

^{5/} Once you are incorporated, a registration of a fictitious name, *e.g.*, JKCA, Inc. d/b/a Anago of (your city name) will be required. Under no circumstances do we allow you to use the Anago name as part of your business entity name. We estimate that the attorneys' fees, publication fees, filing fees and other costs will total \$100 to \$500 for compliance with a state's fictitious name statute, depending on the scope of legal services rendered. These fees may vary from state to state depending on each state's laws and the prevailing rate of attorneys' fees. These costs are paid to attorneys, newspapers and governmental agencies, and are not refundable and usually incurred before beginning business.

^{6/} You will be responsible for the development of your Franchise Offering Circular and, if required, state registration. We will assist you by giving you a current template from which you will be able to follow in its development.

^{7/} Local, municipal, county and state regulations vary on what licenses and permits are required to operate an Anago subfranchisor business. In Florida, one must obtain city and county occupational licenses in the total amount of approximately \$125 to \$1,000. These fees are paid to governmental authorities, when incurred, before beginning business and are usually not refundable.

^{8/} As discussed in ITEM 8 and Section 3.4 of the Subfranchise Rights Agreement, we require that you carry certain specified insurance. The method and timing of payments is a matter to be resolved between you and your insurer. Because the selection of the carrier, amount of wages and other related conditions vary considerably, it is difficult to estimate the ultimate cost to any given franchisee. Therefore, we, in light of the volatility of the insurance industry, estimate the total cost with the caution that you should obtain quotes from carriers of choice before proceeding. Our best estimate is \$3,000 per year for insurance coverage other than for Workers' Compensation Insurance and \$12,000 per year for Workers' Compensation Insurance. Insurance carriers usually audit your payrolls annually.

^{9/} Some costs of training that you may bear are transportation, lodging, compensation and meals. The estimate is for items that are non-discretionary in nature. Generally these costs will vary widely as a function of the distance traveled, the accommodations selected, the restaurants patronized, the distance between the hotel and the training center and the transportation selected. Considering different lifestyles, distances and compensation assumptions, the estimates are from \$1,500 to \$3,500.

^{10/} Anago Franchising, Inc. recommends that you lease office space in a commercial building centrally located within the Area. It should consist of approximately 1,000 to 1,500 square fee, divided into areas for reception, secretaries, bookkeeper, 3 telephone solicitors, 2 salesmen, 1 operations and supply storage. It is estimated that lease rates will range from \$12.50 to \$25.00 per

square foot annually, depending primarily on location. You may be required to pay a security deposit, utilities, property tax and Common Area Maintenance (CAM). You may be required to pay for any improvements, such as redecorating which varies widely from \$1,500 to \$3,500 depending on the original condition of the office space.

^{11/} Security deposits as defined in footnote ^{10/} above for office space lease and/or utilities and telephone service.

^{12/} You will need office furniture and fixtures in an amount to facilitate the initial number of working personnel as outlined in footnote ^{17/} working capital.

^{13/} Your office equipment will consist of, but not limited to, a copy machine, fax, typewriter and telephone system. Payment for leased items will be paid directly or indirectly to the lessor. No lessor is related to or affiliated with us. For new and/or acceptable used equipment, you may purchase, rent, lease or otherwise acquire the items from whomever you may choose.

^{14/} We will only allow office supplies that support the image and positioning of the system in the marketplace. You agree to the importance of image and positioning to the Anago system and agree to use only the supplies we specify or otherwise approve. The term "supplies" refers to brochures, flyers, forms, proposal covers, 3-ring binders, presentation materials, whether electronic or otherwise, and other miscellaneous items.

^{15/} The computers, printers, as well as the Software supplied by Anago and other local vendors must be installed and operating at least 30 days before your actual date of opening. This allows ample time for training relative to their use as a tool in generating leads as well as operational control and the ability to generate statements for your Unit Franchisees.

^{16/} The NBDS Software will be installed on the primary server to include Windows current networking operating system, IGAS. Telemagic software may reside on your local server. Additional software must be pre-approved by us.

^{17/} Each salesperson, operations person, as well as the subfranchisor, will be required to furnish transportation in order to facilitate the bidding and estimating along with the coordination of the matching of the unit franchisee with the job site, once the sale has been consummated. You, as the subfranchisor should, as a practical matter, require your sales and operating personnel to furnish their own transportation. Estimates for gas, oil and insurance per automobile you supply is approximately \$7,200 to \$12,000 annually. This is a rough estimate because of the size of the franchise territory, location of the office relative to the territory and the driving habits of the individual vary considerably.

^{18/} In every business start up, there are numerous unanticipated "nickel and dime" costs, for example, additional licenses and permits, professional fees for accountants or additional fees for attorneys, utility deposits, miscellaneous supplies, last minute decisions for additional equipment, furniture, phones. Our estimate is \$2,000 to \$5,000 and most probably will be incurred during the initial 6 months of start-up.

^{19/} You should have adequate working capital before beginning operation of Anago Subfranchise Rights. These additional funds should be sufficient to keep the Anago business in operation for 6 months, and capable of covering the excess of expenses over cash flow covering employee wages and taxes, insurance premiums and other normal expenses that are associated with your day-to-day business operation. You must be able to meet operating expenses from pre-opening, including hiring and training expenses, until the business develops sufficient cash flow to cover all costs. The estimate for additional funds is \$80,700 to \$115,500. These figures do not include any payments to you during the start-up period. You must have sufficient personal resources to cover your living expenses during this period. You are encouraged to fill out a personal/family cash flow budget and determine if there is sufficient revenue on the personal level to provide for your family through the start-up period. Clearly, additional funds requirements will be a function of your decisions regarding nearly every aspect of your Anago business, for example, the size of the payroll, size of the operation and many other expenses that you decide to incur.

Your minimum monthly working capital requirements should include:

Rent	\$1,500 - \$2,000
Utilities	\$100 - \$500
Telephones (equipment and service)	\$1,000 - \$1,500
Advertising	\$800 - \$1,000
Postage	\$150 - \$250
Salaries and Employment taxes for 2 Salespersons, 1 Operations, Telemarketers and Secretaries	\$7,500 - \$10,000
Automobile expense	\$600 - \$1,000
Insurance	\$300 - \$1,000
Office equipment, computers and furniture (leased)	\$1,500 - \$2,000
 Total for month	 \$13,6450 - \$19,250

²⁰ These costs range between \$233,025 and \$1,204,000 depending on the real property and equipment purchased (new or used), number and quantity of personnel employed, the location and size of the franchise territory, the charges for legal and accounting services incurred by you including preparation of your Franchise Offering Circular as well as applications and registrations for the offer and sale of franchises. If you own an existing business, you will probably already have the necessary office furniture, office equipment supplies, insurance, business office and employees. You will not need to purchase these items again nor incur additional costs and therefore your total investment may be significantly less than the amounts estimated. Furthermore, the figures listed in the chart are only estimates based on our experience and we cannot guarantee that you will not have additional expenses starting the business. Additional factors affecting your costs will be how well you follow our methods and procedures, your management skill, experience and business acumen, your local economic conditions, the local market for our services, the current wage rate, competition and the sales level reached during your first year of operation.

Basis for Estimate

We relied on our principals' 29 years of experience in the commercial cleaning business to compile these estimates. You should review these figures carefully with a business advisor before making any decisions to purchase Anago Subfranchise Rights.

Financing

Please see ITEM 10 for a discussion of available financing.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Restrictions from Us or Our Designee

We require you to purchase or lease the computer equipment in accordance with specifications disclosed in the NBDS Software License Agreement (Exhibit F), software, printer and other equipment described in Exhibit III to the Subfranchise Rights Agreement for the establishment of your Anago Subfranchise from us or a Designee. Anago Manuals relating to Unit Franchisees will be provided by us for loan to your Unit Franchisees. These manuals may not be edited, changed, or altered by you or the Unit Franchisees.

Specifications and Standards

To help retain the uniform and high standards necessary to maintain and enhance the good will of the System and acceptance in your market, we provide specifications and/or required suppliers for the purchase or lease of certain items. Specifications may include standards for enhancing the System's image and minimum standards for safety, appearance and other factors. We formulate and modify specifications based upon the uniform and high standards necessary to maintain and enhance the good will of the System. Specifications are issued to you in the Manuals or otherwise in writing. The categories for these purchases or leases are as follows:

Insurance

You must obtain and maintain insurance, at your expense, as we require, in addition to any other insurance that may be required by applicable law, your landlord, lender or otherwise. The policies must be written by an insurance company reasonably satisfactory to us with a Best rating of "A" or better and include the risks, amount of coverage and deductibles as stated in the Manuals and Section 3.4 of the Subfranchise Rights Agreement.

Advertising.

You will spend \$10,000 per calendar year on advertising the solicitation of Unit Franchises and agree to provide us with satisfactory proof of these expenditures, upon request. You will refrain from using any false or misleading advertising in the solicitation of prospective Unit Franchises. All advertising must receive our written approval before its use and you will comply with all laws regulating the content and use of advertising including registration with, and approval by, applicable state franchise regulators.

Approved Supplies and Suppliers

You are required to purchase or lease computers and other equipment, supplies, advertising materials and other products and services used for the operation of your Anago Subfranchise only from authorized manufacturers, contractors and other suppliers who demonstrate, to our continuing reasonable satisfaction: (i) the ability to meet our reasonable standards and specifications for the items; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; and (iii) have been approved in writing by us and not later disapproved. We may approve a single supplier for any brand and may approve a supplier only as to certain brand or brands. In approving suppliers for the System, we may take into consideration the price and quality of the products or services and the reliability of the supplier and other factors. We may concentrate purchases with 1 or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of Anago Franchisees or Company Units within the System. Approval of a supplier may be conditioned on requirements for the frequency of delivery, standards of service, including prompt attention to complaints, and concentration of purchases, as stated above, and may be temporary, pending our additional evaluation of the supplier. If we later disapprove a supplier, we will notify you in writing of the disapproval. You must cease purchasing from that supplier within a reasonable time after your receipt of our notice of disapproval.

Approval of New Suppliers

If you propose to purchase or lease any equipment, supplies, advertising materials, or other products or services from an unapproved supplier, you must submit to us a written request for approval, or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory we designate for testing. We will not be liable for damage to any sample that may result from the testing process. You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing. We may also require as a condition to our approval, that the supplier present satisfactory evidence of insurance, for example, product liability insurance, protecting us and our franchisees from all claims from the use of the item within the System. We reserve the right, at our option, to re-inspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense and to revoke approval upon the supplier's failure to continue to meet our standards and specifications. We will notify you in writing of the approval or disapproval of the supplier. Our criteria for supplier approval are available to you.

Revenue from Approved Supplies and Suppliers

We may derive income from your purchase of approved supplies or from approved suppliers.

Magnitude of Required Purchases or Leases

We estimate that the required purchases or leases described in the above paragraphs are approximately 3% - 5% of the cost to establish your Anago Subfranchise business and approximately .5% - 1% of your total annual operating expenses.

Cooperatives

There are currently no purchasing or distribution cooperatives that you must or may participate; however, we may negotiate with some suppliers for you, at your request.

We do not discriminate among our subfranchisors or franchisees based upon a particular subfranchisor's or franchisee's use of a particular approved supplier.

ITEM 9 - THE SUBFRANCHISOR'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE SUBFRANCHISE RIGHTS AGREEMENT 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⁽¹⁾	Item In Offering Circular
a. Site selection and acquisition/lease	None	None
b. Pre-opening purchases/leases	None	ITEMS 5, 7, 8 and 11.
c. Site development and other pre-opening requirements	None	ITEMS 7, 8 and 11.
d. Initial and ongoing training	Section 2.1	ITEMS 6, 7, 8 and 11.
e. Opening	None	ITEMS 7, 8 and 11.
f. Fees	ARTICLE 4	ITEMS 5, 6 and 7.
g. Compliance with standards and policies/Operating Manual	Sections 8.2, 8.3, 8.4, 9.1, 9.2, and ARTICLES 3, 5 and 6	ITEMS 8, 11 and 14.
h. Trademarks and proprietary information	Section 2.7 and ARTICLES 5, 6 and 10	ITEMS 13 and 14.
i. Restrictions on products /services offered	Sections 3.1, 3.3 and 9.4	ITEMS 8 and 16.
i. Warranty and customer service requirements	Section 10.1	ITEM 8.
j. Territorial development and sales quotas	Subsection 3.2 (j) and Exhibit B	ITEM 12.
k. Ongoing product/service	None	ITEMS 6 and 8.

Obligation	Section In Agreement⁽¹⁾	Item In Offering Circular
purchases		
l. Maintenance, appearance and remodeling requirements	None	ITEMS 6, 7 and 8.
m. Insurance	Section 3.4	ITEMS 6, 7 and 8.
n. Advertising	Section 3.1	ITEMS 6, 7, 8 and 11.
o. Indemnification	Subsection 11.2(b)	ITEMS 6 and 8.
p. Owner's participation/management/staffing	Sections 3.1, 3.2 and 3.3	ITEMS 6 and 15.
q. Records/reports	Subsections 3.2(a) and (d)	ITEM 8.
r. Inspections/audits	Subsection 3.2(i)	ITEMS 6, 8 and 11.
s. Transfer	ARTICLE 7	ITEMS 6 and 17.
t. Renewal	Section 14.2	ITEMS 6 and 17.
u. Post-termination obligations	ARTICLE 9	ITEM 17.
v. Non-competition covenants	ARTICLE 10	ITEM 17.
w. Dispute resolution ¹	ARTICLE 13	ITEMS 6 and 17.

¹ UNLESS OTHERWISE STATED, REFERENCES ARE TO THE ANAGO SUBFRANCHISE AGREEMENT ATTACHED AS EXHIBIT A.

ITEM 10 - FINANCING

If you meet our credit standards, we may finance a portion of the Initial Subfranchise Fee. Financing over 120 months is available at current standard Annual Percentage Rates, using the standard form promissory note in Exhibit V to the Subfranchise Rights Agreement. The note can be prepaid without penalty at any time during its term. (Promissory Note Section 10). If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance and obtain court costs and attorneys' fees if a collection action is necessary. (Promissory Note Sections 3 and 5). You waive your rights to notice of a collection action and to assert any defenses to collection against us. (Promissory Note Section 4). We do not discount these notes to a third party. We may also foreclose on our security interest and sell your Anago Subfranchise assets at public or private sale.

We reserve the right to refuse financing to a prospective subfranchisor if we believe in our judgment that to extend financing would be construed as an unsound business decision. To be eligible for financing through us, you must meet all of our then current operational, character, legal and financial criteria, which includes having a satisfactory credit history with credit bureaus, major suppliers, banks and be in good standing with all applicable government and regulatory authorities.

Except as disclosed above, we do not offer financing that requires you to waive notice, confess judgment or waive a defense against us or the lender, although you may lose your defenses against us and others in a collection action on a note that is sold or discounted.

We do not arrange financing from other sources.

Except as disclosed above, we do not receive direct or indirect payments for placing financing.

Except as disclosed above, we do not guarantee your obligations to third parties.

ITEM 11 - THE FRANCHISOR'S OBLIGATIONS

**EXCEPT AS DISCLOSED BELOW, WE NEED NOT PROVIDE
ANY ASSISTANCE TO YOU.**

Deposit Agreement

Upon signing the Deposit Agreement, you must pay a deposit equal to the down payment for the territory. We may grant you approval to pursue additional target locations without requiring an additional deposit, except as described below. The Subfranchise Fee Deposit is nonrefundable; however, we will credit the Subfranchise Fee Deposit against the Initial Subfranchise Fee upon signing the Subfranchise Rights Agreement. The Subfranchise Fee Deposit may be transferred from the original target territory to a substitute target territory, if we agree on the substitute target territory. We will refund the Subfranchise Fee Deposit as per the terms stated in the agreement. (see Exhibit C)

Mandatory Obligations Before Opening of Your Anago Franchise

After the Subfranchise Rights Agreement is signed and before opening your Anago Subfranchise, we must provide you through us or our Designee with the following assistance and services if you are not in default under your Subfranchise Rights Agreement:

Site Development Services

See Exhibit D.

Training (Section 2.1 of Subfranchise Rights Agreement)

(a) **Initial Training.** We agree to provide an initial training program for you. The training program will be conducted at one of our offices or other mutually agreeable location. Initial training is mandatory and must be completed within 60 days after signing the Subfranchise Rights Agreement. The initial training program is for a period of 2 weeks, but may be decreased to 1 week if you own an existing janitorial business, or if you have worked in the janitorial franchise business for a period of more than one year. Training will cover all aspects of the business, including unit sales and solicitation; unit training; management; all aspects of contract sales including marketing, prospecting, telemarketing, bidding, and contracting for customer contracts, invoicing and statement processing, and general operations.

(b) **Failure to Complete Initial Training.** If you fail to complete satisfactorily Initial Training, as determined by us, we may elect to retrain you or terminate this Agreement and retain the Initial Subfranchise Fee Deposit.

(c) **Content.** The content of, operation of, and manner of conducting Initial Training is in our sole control.

(d) **Attend Franchisee's Basic Management Training.** You must attend our Basic Management Training for your Unit Franchisees to more fully understand and coordinate your training of Unit Franchisees.

(e) **Refresher or Additional Training.** We may provide refresher-training programs, seminars or advanced management training for you at our principal training facility, which may be required, at our option. Training will not be required more often than once a year. You are solely responsible for all expenses associated with these programs, including the then prevailing standard rates charged by us for these programs and all travel, meals and lodging costs for your attendees.

Loan of the Anago Manuals (Section 2.2 of the Subfranchise Rights Agreement.)

We will loan to you manuals necessary for the telemarketing, administration, and field operations. We will provide to you all manuals that you are required to provide to your Unit Franchisees. These manuals cannot be changed, altered or edited in whole or in part by you or your Unit Franchisees.

Pre-Opening Assistance and Support (Section 2.3 of the Subfranchise Rights Agreement.)

(a) **Original Materials.** We will provide you with items necessary to start the Subfranchise business, which includes assistance with the preparation of advertising brochures, assistance in compiling a list of local suppliers, assistance in compiling a list of prospective clients, and assistance in the set up for local newspaper advertising for Unit Franchises.

(b) **Computer System/Software.** Specifications for the computer system will be provided, along with the custom NBDS software formats. You may lease the primary server and hub from us.

(c) **Informal Advice.** We may provide you, although not obligated to do so, informal advice and instruction in the day-to-day operations of the Unit Franchisee's business.

Franchise Offering Circular (Section 2.6 of the Subfranchise Rights Agreement)

We will supply to you a current FOC (Subfranchisor - Single Unit) to be modified by you and your franchise attorney to include the information required to be included regarding Subfranchisors by the FTC Franchise Rule, the Uniform Franchise Offering Circular Guidelines, and regulatory agencies for your exclusive franchising area. We will update our FOC in accordance with current FTC and state requirements as to information concerning us.

License of the Proprietary Marks (Section 2.7 of the Subfranchise Rights Agreement)

Subject to the terms of this Agreement, we license the right to use the "Anago" trade name and other Proprietary Marks.

Mandatory Obligations After Beginning Operations (Section 2.5 of the Subfranchise Rights Agreement)

The obligations we or our Designee will perform during the operation of your Anago Subfranchise are as follows:

Telephone Hotline.

We will maintain a telephone "hotline" for informational assistance for you and the Unit Franchisees.

Advertising and Public Relations.

We will generally promote the Franchised Business through advertising and public relation campaigns using Advertising Contributions paid by you including Anago retail promotional/advertisement packages as described in Subsection 3.1(d) of the Unit Franchise Agreement.

Periodic Assistance.

We may provide to you continuing advisory assistance in the operation and promotion of the Unit Franchises as we deem advisable, which may include communication of new developments, improvements in equipment and supplies, and new techniques in advertising, service and management that are relevant to the operation of the Franchised Business.

Research and Development.

We will continue to research and develop new products and services, introductions and techniques as deemed appropriate by us in our sole and absolute discretion.

Referral of Leads.

We will refer all leads to you that may come to us for possible Unit Franchises in the Area.

Billing and Collection System (Section 2.4 of the Subfranchise Rights Agreement)

(a) **Invoicing.** We will invoice all customers serviced by you and your Unit Franchisees utilizing the NBDS Software Program. We will send monthly invoices to every client account serviced by you or your Unit Franchisees for the first 6 months and, indefinitely, upon an Event of Default. The invoices will provide that payments will be made directly to us at your location.

(b) **Deposit of Client Receipts.** You will deposit all your client payments into our Escrow account at a banking facility of our mutual choosing (the "Anago Franchising Escrow Account"), until the time for distribution to you and later distribution to your Unit Franchisees. You will also set up a separate operating account in your corporate name d/b/a Anago of XXXX.

(c) **Distribution of Client Receipts.** After we receive a client payment, we will distribute the payment as follows: (i) you will receive 95% of the payment, which will be paid to you by us once per week, on Wednesday, for the prior week's cleared deposits, less any administrative fees, service fees, lease payments, late payments, late fees, interest payments, Unit Franchise fee and/or any amounts due us by you; and (ii) we will retain 5% of the payment as the Royalty. You must pay any applicable sales tax. You must pay your Unit Franchisees directly by mail on the 20th day of each month following the month in which services were rendered, or as otherwise prescribed in the Unit Franchise Agreement, and will provide your Unit Franchisees with a statement detailing the previous month's accounting activity using the IGAS system. You will transmit via fax to us daily, items for all invoicing activity to each client serviced and sold supplies and equipment by you or your Franchisees for that day (for the first 6 months). You must send to us on the 25th day of each month, a copy of all statements issued to your Unit Franchisees during the month. We may require you to accomplish this via hard copies sent by mail, courier, or by electronic data transmission via a modem installed within your computer.

(d) **Unintentional Payments.** If any client payments are sent directly from the client to you or your Unit Franchisee's Account, you will immediately notify us of the payment receipt with

the corresponding deposit slip. You or your Unit Franchisee, as applicable, will deposit the payment directly into our Escrow Account for processing. Neither you nor any Unit Franchisee may deposit the payment directly into its own account.

(e) **Right of Entry to Billing Records.** You will give us full and unimpeded 24-hour access, 365 days per year, to your records which are retained or recorded on any electronic or computer system operated by you. We will have security to the electronic reporting through a modem installed within your computer, and will be supplied with hard copies of data upon our request. You will operate electronic/computer accounting and reporting software installed by us. Any supplementary hardware or software costs will be borne by you. We may modify the reporting requirements at any time deemed necessary, and will notify you in writing of the modifications. You agree and acknowledge the records are proprietary, valuable, and are our trade secrets. Except as expressly authorized by us, you agree not to reproduce, copy, or disseminate these records. Specifications for the computer system will be provided along with the custom NBDS software formats. You may lease the primary server and hub from us.

(f) **Billing and Collection Procedures Upon Default of The Subfranchisor.**

(i) During any period that you are in default of the Subfranchise Rights Agreement but the Subfranchise Rights Agreement is not terminated, and for 90 days thereafter (the "Default Period"), we may deposit and hold in the escrow account certain client receipts (the "Escrow Receipts"), less any funds owed us for royalties, accounting fees, service fees, advertising fees, late fees, temporary management fees, Unit Franchise Fees and interest. The Escrow Receipts may be held by us and distributed directly to the Unit Franchisees to ensure timely and accurate payment. We will pay directly to each Unit Franchisee the Escrow Receipt owed, less amounts due as delineated in the Unit Franchise Agreement. Your residual amounts may remain in the Escrow Account for the duration of the Default Period, and may be offset by amounts owed to us. We will be obliged to pay each Unit Franchisee only for receipts that we/you deposit into our Escrow Account. Each Escrow Receipt will be credited for the invoice the client designates, and will be distributed to the Unit Franchisee accordingly. If we determine, that you have collected a client receipt and subsequently failed to pay the corresponding Unit Franchisee timely pursuant to the terms of the Unit Franchise Agreement, then we may pay the amount owed to the Unit Franchisee directly. We will deduct and offset the same amount from our escrow account. We may independently consult with each Unit Franchisee and client to determine the amount of funds the Unit Franchisee is owed. During the Default Period, you agree to cooperate fully with us to expedite full and timely payment to each Unit Franchisee. You will furnish to us, within 48 hours of our request, a copy of all prior client invoices regarding services and supplies provided to all your clients and Unit Franchisees. We will charge you an accounting fee of 1% of your weekly Gross Revenues. We will charge you a \$25.00 accounting fee per Unit Franchise monthly statement. The accounting fees will be withheld from amounts due you in the week the costs for processing were incurred.

(ii) We may for a period of one year after written notice of default, as described in Subsection 2.4(f)(i) of the Subfranchise Rights Agreement immediately deduct from amounts paid to you on your client receipts, any amounts owed us.

(g) **Billing and Collection Procedures Upon Request of The Subfranchisor.** We, at your request, may also assume the processing of client invoices and Unit Franchise statements for an indefinite period. We will charge you an accounting fee of 1% of your weekly Gross Revenues. We will charge you a \$25.00 accounting fee per Unit Franchise monthly statement. The accounting fees will be withheld from amounts due you in the week the costs for processing were incurred.

Advertising Programs

You must spend at least \$10,000 per calendar year on advertising the solicitation of Franchises and agree to provide us with satisfactory proof of these expenditures, upon our request. You must not use any false or misleading advertising in the solicitation of prospective Franchisees. All advertising must receive our written approval before its use and you will comply with all laws regulating the content and use of advertising including registration with, and approval by, applicable state franchise regulators. [Subsection 3.1(e) of the Subfranchise Rights Agreement].

Computer Systems

You must provide financial and business records and information to us according to reporting formats, methodologies and time schedules that we establish. As part of these record-keeping requirements, you must install our computerized NBDS management systems, which may be modified in response to business, operations and marketing conditions. [Subsection 2.5(f) of the Subfranchise Rights Agreement and Exhibit F].

The NBDS System's principal functions are to provide permanent records of sales transactions at your Anago Subfranchise and to collect and manage information about the nature of those transactions. The types of information that it collects and generates are telemarketing and sales levels, client information, individual sales data, and various financial information. We will have electronic and manual access to the information that the NBDS System generates and there are no contractual limitations on our right to access this information. The NBDS software is not intended to be an accounting or bookkeeping system. You must obtain your own accounting and or bookkeeping system.

Anago Cleaning Systems, Inc. owns the proprietary software comprising the NBDS System. The software is sourced and supported through us. We are currently the only approved supplier for the NBDS System. We outsource assistance to Subfranchisors for the installation of the NBDS System.

Compatible equivalent hardware components that perform the same functions exist, but not the software. However we have approved Dell Computer hardware components only at this time.

We are contractually required to provide to you maintenance and repairs to the hardware leased from us, if any. You shall pay for the cost of upgrades and updates to all hardware.

WE WILL HAVE INDEPENDENT ACCESS TO YOUR BUSINESS AND

FINANCIAL INFORMATION AND DATA.

In consideration of your Royalty payments, we will use this information to analyze your telemarketing, sales and operations giving you timely feedback to assist in your business growth.

Operations Manual

After you have signed your Anago Subfranchise Rights Agreement and shortly before completing the Anago Training Program, we will loan you a copy of our Subfranchisor Operation Manuals composed of the Sales Manual, Administration Manual, Operations Manual, and Franchise Training Manual (Section 6.1 of the Subfranchise Rights Agreement). Our Manuals contain proprietary information and you must keep this information confidential as described in ITEM 14. The current Manuals, as of September 1, 2001, are divided into the following subjects:

SUBFRANCHISOR SALES MANUAL	
SUBJECT	NUMBER OF PAGES
FRANCHISE CLEANING CONCEPT	2
SALES TOOLS	2
THE APPOINTMENT	2
BIDDING & ESTIMATING	15
PAPERWORK	20
TOTAL	41

ADMINISTRATION MANUAL	
SUBJECT	NUMBER OF PAGES
TELEPHONE	3
THE FRANCHISE LICENSE AGREEMENT	2
THE COMPUTER	2
TELEMAGIC	3
DATABASES	10
WORKING WITH DATABASES	80
TOTAL	100

OPERATIONS MANUAL	
SUBJECT	NUMBER OF PAGES
INTRODUCTION	4
THE ANAGO FRANCHISE MANUALS	4
FRANCHISE TRAINING	14
THE NEW FRANCHISE	8
FIELD OPERATIONS	15
ACCOUNT RETENTION	12
TOTAL	57

TRAINING MANUAL	
SUBJECT	NUMBER OF PAGES
FIRST SESSION	2
SECOND SESSION	1
THIRD SESSION	1
FOURTH SESSION	1
FIFTH SESSION	1
SIXTH SESSION	1
TOTAL	8

Note: Unit Franchisees will utilize the following 3 manuals for classes:

- 1.) Franchisee Training Manual
- 2.) Housekeeping Services Handbook
- 3.) Policies and Procedures Manual

Site Selection Methods

You may operate your Anago Subfranchise from a location approved by us. An Anago franchise is operated from the Subfranchisor's office central to the business district.

Time Between Signing of Subfranchise Rights Agreement and the Opening of the Anago Subfranchise

The typical length of time between the signing of the Subfranchise Rights Agreement and the opening of the Anago Subfranchise can vary from 1 to 3 months. The factors that affect this time frame usually include the time when you receive and complete satisfactorily the Anago

Training Program.

Training Program

(a) **Anago Training Program (Mandatory)**. We agree to provide an initial training program for you. The training program will be conducted at one of our offices or other mutually agreeable location. Initial training is mandatory and must be completed within 90 days after signing the Subfranchise Rights Agreement. The initial training program is for a period of 2 weeks, but may be decreased to 1 week if you own an existing janitorial business, or if you have worked in the janitorial franchise business for a period of more than one year. Training will cover all aspects of your business, including unit sales and solicitation; unit training; management; all aspects of contract sales including marketing, prospecting, telemarketing, bidding, and contracting for customer contracts, invoicing and statement processing, and general operations [Subsection 2.1(a) of the Subfranchise Rights Agreement].

The Anago Training Program will begin 1 to 6 weeks after the Subfranchise Rights Agreement is signed and 1 week before the opening of your Anago Subfranchise.

Subject	Time ¹	Instructional Materials	Hours of Classroom Training ²	Hours On the Job Training ³	Instructor ⁴
Unit Franchise Sales, Contract Sales & Telemarketing	Days 1,3,5,7 Days 2,4,6,8	Subfranchise UFOC, Miscellaneous materials	2-3 1-2	5-15 1-24	Sales Manager
Operations	Days 3,5	Video tapes, Manual	0-12	0-12	Operations Manager
NBDS System	Days 1,5,8,9	Computer Systems, Admin	0	6-24	Admin Manager
Management	Days 1-10	Forms manual	6-12	6-12	Regional Director of Training Center
Administration	Days 1,3,5	Administration Manual, Computer	0	12	Admin Assistant

^{1/} Time: The time schedules in which the subject are taught may vary depending upon the schedules of the various instructors, so as to make the most efficient use of time available.

^{2/} Hours of Classrooms/^{3/} On the Job Training: Classroom training is used to denote formal discussions regarding the subject matter, which discussions may take place in a setting other than

that of a "Classroom." It is distinguished from "On the Job Training," which is putting into practice the subjects taught. The hours for both may change depending upon your expertise in any particular area. For example, if you have operated in the janitorial franchise business, the instruction you need regarding operations, contract sales, and unit franchise sales will be significantly less than that of someone of no experience.

^{4/} Instructors: Instructors are subject to change without notice. You shall be responsible for the payment of all travel, lodging, personal and other expenses incurred in connection with this training. However, no tuition is charged by us. You shall be required to satisfactorily complete the course prior to opening for business, and a manager may be required to do so prior to assuming on-the-job managerial duties. You shall not be compensated for any work performed by you during the on-the-job training course.

(b) **Experience of Instructor.** We maintain a training staff. We maintain Terry Mollica, Director of Training, on the training staff who is responsible for all aspects of franchise training. We have employed him from the time of our incorporation and he has significant experience relevant to your training. He brings over 21 years of management experience to us, having supervised as many as 400 employees at a time. See biographical information in ITEM 2.

ITEM 12 - TERRITORY

Under your Subfranchise Rights Agreement, you will be licensed and granted the right to operate your Subfranchise in those counties as defined in the Subfranchise Rights Agreement, provided that the minimum population is greater than 300,000 delineated by the boundaries of a standard, statistical metropolitan area, sufficient to encompass the specified population, in accordance with the Subfranchise Program purchased. You will have the exclusive right to operate your Anago Subfranchise Rights within the Area (the "Area"), and we will not grant any other Subfranchise Rights nor set to establish our own Units within your Area, except under the following circumstances:

WE HAVE INSTITUTED CERTAIN SALES VOLUMES AND MARKET PENETRATION, WHICH ESTABLISHES MINIMUM ROYALTY PAYMENTS. IF THE SALES VOLUME AND MARKET PENETRATION ARE NOT MET, YOU ARE CAUTIONED THAT YOUR ABILITY TO PAY DEBTS AND EXPENSES ARE SEVERELY ENCUMBERED.

THEREFORE, YOUR CONTINUATION OF TERRITORIAL EXCLUSIVITY IS DEPENDENT UPON ACHIEVEMENT OF THAT SALES VOLUME AND MARKET PENETRATION. FAILURE TO MEET ANAGO'S MINIMUM LEVELS COULD RESULT IN THE LOSS OR MODIFICATION IN THE EXCLUSIVITY RIGHTS TO THE TERRITORY.

We do not have any present intentions to sell similar products and services using either the Proprietary Marks or other trademarks through dissimilar channels of distribution or through a different franchised system.

YOU HAVE NO RIGHTS TO OPEN SUBFRANCHISED BUSINESSES ANY WHERE UNDER YOUR SUBFRANCHISE AGREEMENT.


ITEM 13 - TRADEMARKS

Sections 2.7 and 5.2 of the Subfranchise Rights Agreement grant to you the right to use the Proprietary Property we designate only in the manner we authorize and permit and only for the operation of your Anago Franchise.

Registrations and Applications

The "Anago" trademark is owned by Anago Cleaning Systems, Inc. ("Anago") and has been registered on the Principal Register of the United States Patent and Trademark Office.

In addition, Anago Cleaning Systems, Inc. has registered the following Proprietary Mark with the Secretary of State in Florida that is licensed to Anago and is sublicensed for your use under the Unit Franchise Agreement:

<u>Mark</u>	<u>Class</u>	<u>Registration Date</u>	<u>Registration Number</u>
	35	March 4, 2003	2,692,150

No Proprietary Marks have yet been renewed.

None of the Proprietary Marks has been registered or filed for registration in any other state.

Proceedings

There are no currently effective material determinations of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court. There are no currently pending infringement, opposition or cancellation proceedings. There is no currently pending material litigation involving the Proprietary Marks. There are no decided infringement, cancellation or opposition proceedings where we unsuccessfully fought to prevent registration of a trademark in order to protect the Proprietary Marks we license.

Agreements

Anago Cleaning Systems, Inc. owns the Proprietary Marks and licenses the right to us to use the Proprietary Marks in the Company Units and to sublicense the Proprietary Marks to subfranchisors throughout the United States and internationally under a Subfranchise Rights Agreement. The Agreement is for an initial term of 10 years and renews automatically for successive 10-year periods. The Agreement may not be canceled or modified. There are no other agreements currently in effect that significantly limit our rights to use or license the use of the

Proprietary Marks in any manner material to you or your unit franchisees.

Infringing Uses

There are no infringing uses or superior prior rights actually known to us that could materially affect your use of the Proprietary Marks

Your Rights and Obligations With Respect to the Proprietary Property Including the Proprietary Marks

Your rights to use the Proprietary Marks are derived solely from your Subfranchise Rights Agreement and are limited to the operation of your Anago Subfranchise under your Subfranchise Rights Agreement and all applicable standards, specifications, and operating procedures we require during the Term. Any unauthorized use of the Proprietary Property including the Proprietary Marks is a breach of your Subfranchise Rights Agreement and an infringement of our rights in and to the Proprietary Marks.

Your use of the Proprietary Property and any good will established by your use inures to our exclusive benefit. The Subfranchise Rights Agreement does not confer any good will or other interest in the Proprietary Property to you, other than the right to operate an Anago Franchise in compliance with the Subfranchise Rights Agreement. All provisions of the Subfranchise Rights Agreement applicable to the Proprietary Property will apply to any other trademarks, service marks, commercial symbols, designs, artwork, and logos that we adopt, use, authorize and sublicense to you to use during the Term.

You must use the Proprietary Marks as the sole trade identification of your Anago Franchise, and must identify your Anago Franchise in the form we require as the independent owner of the Anago Franchise. You must use all Proprietary Marks and other commercial symbols that we sublicense in full compliance with rules we require. You are prohibited from using any Proprietary Marks (including any future commercial marks we license) in the sale of any unauthorized product or service or in any manner we have not explicitly authorized. You cannot use the Proprietary Marks as, or part of, your corporate or partnership name. You must follow our instructions in complying with any fictitious, trade or assumed name statutes for the Anago trade name. You may not use the Proprietary Property as security for any obligation or indebtedness.

Upon any claim of infringement, unfair competition or other challenge to your right to use any Proprietary Property, or if you become aware of any use of or claims to any Proprietary Property by persons other than us our Subfranchisor or any unit franchisees, you must notify promptly (within 7 days) us in writing. You may not communicate with anyone except us and our counsel in any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action in any infringement, challenge or claim, and the sole right to control any litigation or other proceeding involving any infringement, challenge or claim of any Proprietary Property. You must sign all instruments and documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Proprietary Property or otherwise to protect and maintain our interests in the Proprietary Property.

Indemnification of You

We indemnify you against and will reimburse you for all damages that you are held liable in any proceeding involving your use of any Proprietary Property in accordance with the Subfranchise Rights Agreement, provided that you: (a) have timely notified us of the claim; (b) have otherwise complied with the Subfranchise Rights Agreement; and (c) allow us sole control of the defense and settlement of any claim.

Modification

If we deem it advisable, in our sole discretion, to modify or discontinue the use of any Proprietary Mark and/or use one or more additional or substitute names or marks, including due to the rejection of any pending registration or revocation or cancellation of any existing registration of any of our Proprietary Marks or the rights of senior users, you are obligated to do so at your sole expense within 30 days of our request. We are liable solely to reimburse you for your reasonable direct expenses in modifying or discontinuing the use of a Proprietary Mark and substituting a different Proprietary Mark (these expenses may not include any of your expenditures to promote a modified or substitute Proprietary Mark).

ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own any rights in any patents material to the Subfranchise.

Copyrights

Anago Cleaning Systems, Inc. owns the common law copyrights and licenses the right to us to use the copyrights in the Company Units and to sublicense the copyrights to franchisees throughout the United States under the Subfranchise Rights Agreement. The agreement is for an initial term of 10 years and renews automatically for successive 10-year periods. The agreement may not be canceled or modified. There are no other agreements currently in effect that significantly limit our rights to use or license the use to subfranchises of the copyrights in any manner material to you.

The Manuals are loaned to you as discussed in ITEM 11.

The copyrights have not been registered in the United States Copyright Office.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrighted materials except the agreement with the Predecessor, the owner of the copyrights (See "Agreements," p. 34 above). Upon any infringement of or challenge to your use of any copyrighted work, you are obligated to immediately notify us and we have sole discretion to take any action as

we deem appropriate.

If we deem it advisable to modify or discontinue use of any copyrighted work and/or use one or more new or derivative copyrighted work, you are obligated to do so and our sole obligation is to reimburse you for your tangible costs (for example, changing equipment) of complying with this obligation.

We are required by the Subfranchise Rights Agreement to defend you against any infringement, unfair competition or other claim respecting your use of any copyrighted work. We are obligated to indemnify you against, and to reimburse you for, all damages that you are held liable in any proceeding from the use of any copyrighted work and of all costs you reasonably incur in the defense of any claim, provided that you have notified us of the claim as described in ITEM 13 and have used the copyrighted work in accordance with the Subfranchise Rights Agreement.

Under the Subfranchise Rights Agreement, you agree not to contest, directly or indirectly, our ownership, title, right or interest in our copyrights, trade secrets, methods, procedures or any other intellectual property right that are part of our business or contest our sole right to register, use or license others to use the copyrights, trade secrets, methods, or any other intellectual property right procedures.

There are no infringing uses actually known to us that could materially affect your use of the copyrights in this state or any other state where your Anago Franchise is to be located.

Anago Cleaning Systems, Inc. can and intends to arrange for the renewal (common law copyright is only good for 1 year) of the copyright on the Manuals.

Section 6.2 of the Subfranchise Rights Agreement prohibits copying of the Manuals.

Confidential Information

The Manuals and other copyrighted materials made available to you contain confidential and proprietary information and are Anago's trade secrets. We possess and will develop and acquire certain confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge we, our affiliates, or our Subfranchisors develop (the "Confidential Information") including: (1) methods, techniques, tools, specifications, standards, policies, procedures, information, concepts, systems, and knowledge of the experience in our development, operation and franchising; (2) marketing and promotional programs for us; (3) knowledge of specifications for and knowledge of suppliers of certain materials and equipment for us; and (4) knowledge of our customer lists, operating results and financial performance.

We will disclose to you all parts of the Confidential Information as are required for the operation of the Anago Franchise during the Anago Training Program, in the Manuals, and in guidance and assistance furnished to you during the Term, and you may learn additional Confidential Information during the Term. You must agree to disclose the Confidential Information to your employees only to the extent reasonably necessary.

All persons whom you permit to have access to the Manuals or any other Confidential Information, must first sign our form of confidentiality agreement. Nothing contained in the Subfranchise Rights Agreement will be construed to prohibit you from using the Confidential Information in the operation of your Anago Franchise under your Subfranchise Rights Agreement.

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

We require your personal participation in the day-to-day operation of your Anago Subfranchise.

You are not our employee but are your own boss subject to our rights under your Subfranchise Rights Agreement.

ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may use your Anago Subfranchise only for the operation of your Anago Franchise. You must keep the Anago Subfranchise open and in normal operation for the minimum hours and days as we require in the Manuals or otherwise in writing except as may be limited by local governmental regulation or the landlord's rules and regulations. You may not operate any other business from your Anago Master Franchise office

You are limited in the operation of your Subfranchise business to the sale of Anago Unit Franchises within the exclusive Area designated in your Subfranchise Rights Agreement, continuing oversight of such Unit Franchises, sales of janitorial contract services to support your Unit Franchises and all ancillary services normally performed in conjunction with janitorial service contracts namely, floor stripping and waxing, carpet cleaning, etc.

In performing unit franchise sales and commercial sales of services, you agree to use the forms, computers/software and procedures as provided within the Anago Franchise Operating manuals.

You are not restricted in the customers to whom you may sell the above mentioned unit franchises and respective service contracts. If you do sell Unit Franchises, service contracts and ancillary services, as well as products, that we may not have approved, all money you receive from their sale will be included in the total of "Gross Sales" subject to the Royalty Fee described in ITEM 6.

Anago may require you to cease in your sale of unapproved services and products. If you do not cease upon being notified, Anago may declare you to be in default under the Subfranchise Rights Agreement.

Anago has the sole right to add product and service items to the Anago System. If we direct you, you must offer these products and services to your customers.

There is no limitation on Anago's right to make changes.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the Subfranchise Rights Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Offering Circular.

Provision	Section in Subfranchise Rights Agreement	Summary
a. Term of the franchise	Section 14.2	The initial term of the Subfranchise Rights Agreement is 10 years beginning on the Agreement Date.
b. Renewal or extension of the franchise		You have the right to renew for an unlimited number of additional terms of 10 years each, if you meet the requirements for renewal.
c. Requirements for you to renew or extend	Section 14.2 ⁽¹⁾	<ol style="list-style-type: none"> 1. You must give us written notice of your intention to exercise the option between 9 - 12 months before the end of the Term; 2. You must not be in default of your Subfranchise Rights Agreement or any other agreement with us; 3. You must sign and deliver to us a Successor Anago Subfranchise Rights Agreement and a general release of all claims against us and our affiliates, and their respective officers, directors, shareholders, agents and employees; and 4. You must comply with all other requirements we impose under the Successor Anago Subfranchise Rights Agreement.
d. Termination by you	Section 8.1	If you are in substantial compliance with the Subfranchise Rights Agreement, and we materially breach the Subfranchise Rights Agreement and fail to cure the breach within a reasonable time (at least 30 days), after written notice of breach is delivered to us, you may terminate the Subfranchise Rights Agreement.
e. Termination by us without cause	None	None
f. Termination by us with cause ⁽²⁾	Sections 8.2 8.3 and 8.4	We may only terminate your Subfranchise Rights Agreement with cause.
g. "Cause" defined – defaults which can be	Section 8.4	Any default other than those specified in Sections 8.2 and 8.3 of your Subfranchise Rights

Provision	Section in Subfranchise Rights Agreement	Summary
cured		Agreement may be cured within 30 days of written notice from us of the default.
h. "Cause" defined – defaults which can not be cured ⁽³⁾	Sections 8.2 and 8.3	<p>The following defaults may not be cured:</p> <ol style="list-style-type: none"> 1. Insolvency or general assignment for creditors; 2. Filing in bankruptcy; 3. Adjudication of bankruptcy; 4. Filing for appointment of a receiver or custodian; 5. Appointment of a receiver or custodian; 6. Filing for composition with creditors; 7. Judgment of \$5,000 or more remains unsatisfied; 8. Execution of levy; 9. Filing of foreclosure suit; 10. Sale of your assets after levy; 11. Breach of Unit Franchise Agreement; 12. Act of dishonesty, etc. 13. Conviction of any offense that might materially adversely affect the System; 14. You deny us our right of inspection or audit; 15. You engage in deleterious conduct; 16. Failure to pay employees; 17. Unauthorized assignment; 18. Breach of confidentiality or non-competition provisions of your Subfranchise Rights Agreement; 19. You knowingly maintain false books or records; 20. Repeated complaints from Unit Franchisees.; 21. Failure to achieve Minimum Annual Performance Requirements; and 22. Three or more notices of default for same or similar default during any 12 consecutive months.
i. Your obligations on termination/non-renewal	Subsection 10.1(b), Section 11.2 and ARTICLES 6 and 9 ⁽⁴⁾	<p>You must:</p> <ol style="list-style-type: none"> 1. Not compete with us or any of our franchisees for 24 months after the end of your Subfranchise Rights Agreement; 2. Indemnify us from any losses or damages we sustain as a result of your Anago Franchise; 3. Maintain confidentiality of all our Confidential Information; 4. Cease operating your Anago Subfranchise business; 5. Pay all amounts you owe to us; 6. Distinguish your business from any indicia of

Provision	Section in Subfranchise Rights Agreement	Summary
		<p>the System;</p> <p>7. Avoid unfair competition with us;</p> <p>8. Return all Proprietary Property to us;</p> <p>9. Return all our equipment;</p> <p>10. Discontinue use of Proprietary Mark; and</p> <p>11. Loss of exclusivity; cessation of sales; cessation of services.</p>
j. Assignment of contract by us	Section 7.1	There are no restrictions on our right to assign our interest in your Subfranchise Rights Agreement.
k. "Transfer" by you definition	Sections 7.2 and 7.3	Transfer means any sale, assignment, transfer, conveyance or gift, whether voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in your Subfranchise Rights Agreement or in your Anago Franchise. A transfer of less than 10% of the voting rights or ownership interests in the above and a transfer to any other original owner of your Anago Franchise is not considered a transfer.
l. Our approval of transfer by you	Sections 7.2 and 7.3	We have the right to approve or disapprove of any transfers.
m. Condition for our approval of transfer	Sections 7.2 and 7.3	<p>1. You are not in default (monetary or non-monetary) under any agreement you have with us;</p> <p>2. You must sign subordinate any purchase money financing;</p> <p>3. The transferee may not have any other business that competes with us or any Anago Franchise;</p> <p>4. The transferee must assume your Subfranchise Rights Agreement;</p> <p>5. The transferee must pay a transfer fee of \$5,000;</p> <p>6. We must interview and approve the transferee;</p> <p>7. The transferee must satisfactorily complete our application procedures;</p> <p>8. The transferee must properly assume all your obligations; and</p> <p>9. The transferee must successfully complete the Anago Training Program.</p>
n. Our right of first refusal to acquire your business	None	We have no right of first refusal to purchase your SubFranchise.
o. Our option to purchase your business	None	We have no right to purchase your Subfranchise.

Provision	Section in Subfranchise Rights Agreement	Summary
p. Your death or disability	Section 7.4	You must: 1. Provide a replacement manager satisfactory to us; and 2. Upon your death, your Anago Subfranchise must be transferred within 6 months of your death in accordance with the transfer provisions of your Subfranchise Rights Agreement.
q. Non-competition covenants during the term of the franchise	Subsection 10.1(b)	You may not: 1. Influence any of our business affiliates to modify their relationship with us; 2. Have any involvement with any Competitive Business; or 3. Interfere with our business or any of our other franchisees.
r. Non-competition covenants after the franchise is terminated or expires ⁽⁴⁾	Sections 6.3, and Subsections 10.2(d) and 16.6(b)	You may not, for 24 months after the end of your Subfranchise Rights Agreement: 1. Influence any of our business affiliates to modify their relationship with us; 2. Have any involvement with any Competitive Business; or 3. Interfere with our business or any of our other franchisees.
s. Modification of the agreement	Sections 16.15	Your Subfranchise Rights Agreement may not be modified without the consent of both you and us except: 1. We may change the contents of the Manuals; 2. We may modify the System; and 3. A court may modify any provision of your Subfranchise Rights Agreement in accordance with applicable law.
t. Integration/merger clause	ARTICLE 13	Only the terms of the Subfranchise Rights Agreement are binding (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	ARTICLE 13.1	Claim may be submitted to non-binding mediation

Provision	Section in Subfranchise Rights Agreement	Summary
v. Choice of forum	Section 13.4	Any action begun for the purpose of enforcing the Subfranchise Rights Agreement, will be filed in the courts where our principal business address is located at the time of the filing of the action.
w. Choice of law	Section 13.5	Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or the United States Arbitration Act (9 U.S.C. Sections 1 et seq.), the Subfranchise Rights Agreement is interpreted under the laws of California.

(1) **Reinstatements and Extensions.** If any termination or expiration of the Term would violate any applicable law, we may reinstate or extend the Term for the purpose of complying with the laws, for the duration we provide in written notice to you, without waiving any of our rights under, or otherwise modifying, the Subfranchise Rights Agreement.

(2) **Restrictions on Termination or Non-Renewal Under State Law.** These states have statutes that may supersede the Subfranchise Rights Agreement in your relationship with us 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. Sections 815 ILCS 705/19 and 705/20], INDIANA [Stat. Section 23-2-2.7], 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 [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the Subfranchise Rights Agreement in your relationship with us including the areas of termination and renewal of the Franchise.

(3) **Termination on Bankruptcy.** A provision in your Subfranchise Rights Agreement that terminates your Anago Subfranchise upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101 et seq.

- (4) **Restrictions on our Post-Termination Rights.** These states have statutes that limit our ability to restrict your activity after the Subfranchise Rights Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.335, Michigan Compiled Laws Section 445.772 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting our ability to restrict your activity after the Subfranchise Rights Agreement has ended.

ITEM 18 - PUBLIC FIGURES

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

ITEM 19 - EARNINGS CLAIMS

We do not furnish nor do we permit our sales representatives or employees to make, whether orally or in writing, any information or claims concerning potential sales, costs, income or profits from the operation of your Anago Subfranchise. Actual results will vary from subfranchisor to subfranchisor. The level of success obtained by the operation of your franchise will depend solely on your abilities. Therefore, we do not make representations in any fashion as to the achievement by your Anago Subfranchise of gross revenues, cost of doing business, income or profits.

ITEM 20 - LIST OF OUTLETS

ITEM 20 begins on the next page.

Please see Exhibit G for a List of Subfranchisors and a list of Unit Franchisees of Estrellita, Inc.(the Subfranchisor for South Florida), including a list of those Unit Franchisees of Estrellita, Inc. who have left the system within the last fiscal year, or have not communicated with Anago Franchising, Inc. or with Estrellita, Inc.within ten weeks of the application submitted to the State of California.

ITEM 20 – LIST OF OUTLETS
FRANCHISOR'S STATUS SUMMARY OF ALL ANAGO UNIT FRANCHISES
FOR YEARS 2004/2003/2002 (1)

STATE	TRANSFERS	CANCELLED OR TERMINATED	NOT RE-NEWED	REACQUIRED BY FRANCHISOR	LEFT THE SYSTEM OTHER	TOTAL (2) FROM LEFT COLUMNS	UNITFRANCHISES OPERATING AT YEARS END
ARIZONA							
Phoenix	0	1	0	0	0	1	4
CALIFORNIA							
Sacramento	0	0	0	0	0	0	8
San Diego	0	0	0	1	0	1	1
CONNECTICUT							
Fairfield County	0	0	0	0	0	0	1
FLORIDA							
Jacksonville	0	0	0	0	7	7	20
Orlando	3	0	0	0	0	3	23
South Florida	3	0	0	0	0	3	110
Tampa	3	2	0	2	4	5	60
GEORGIA							
Atlanta	0	2	0	0	4	4	32
HAWAII							
Honolulu	0	0	0	0	1	1	5
ILLINOIS							
Chicago	0	1	0	2	12	3	43
MICHIGAN							
Ann Arbor	0	0	0	0	2	2	18
Mid-Michigan	0	0	0	2	0	2	11
NEW JERSEY							
Paramus	0	0	0	0	0	0	8
NORTH CAROLINA							
Charlotte	0	0	0	0	0	0	4
Greensboro	0	0	0	0	0	0	9
Raleigh	0	0	0	0	0	0	0

STATE	COLUMBUS	CLEVELAND	DALLAS	DENVER	DISTRICT OF COLUMBIA	HAMPTON ROADS	PHILADELPHIA	PITTSBURGH	SALT LAKE CITY	TOLSON	TULSA	WASHINGTON DC	TOTAL
OHIO	0	0	0	0	0	0	0	0	0	0	0	0	11
OKLAHOMA	0	0	0	0	0	0	0	0	0	0	0	0	2
PENNSYLVANIA	0	0	0	0	0	0	0	0	0	0	0	0	0
TEXAS	0	0	0	0	0	0	0	0	0	0	0	0	0
UTAH	0	0	0	0	0	0	0	0	0	0	0	0	0
VIRGINIA	0	0	0	0	0	0	0	0	0	0	0	0	0
WASHINGTON DC	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTALS	0	0	0	0	0	0	0	0	0	0	0	0	11

(1) All numbers are as of December 31 of each year.

(2) The numbers in the "Total" column may exceed the number of Franchises affected because several events may have affected the same Franchise. For example, the same Franchise may have had multiple owners.

**FRANCHISOR'S STATUS SUMMARY OF ALL ANAGO SUBFRANCHISES
FOR YEARS 2004/2003/2002 (1)**

STATE	TRANSFERS	CANCELLED OR TERMINATED	NOT RE-NEWED	REACQUIRED BY FRANCHISOR	LEFT THE SYSTEM OTHER	TOTAL (2) FROM LEFT COLUMNS	SUBFRANCHISORS OPERATING AT YEARS END
ARIZONA	0	0	0	0	0	0	1
CALIFORNIA	0	0	0	0	0	0	1
TOTALS	0	0	0	0	0	0	2

WASHINGTON DC	District of Columbia		0		0		0		0		0		0		0		0		0		1		1		0						
	TOTALS		2		0		0		0		0		0		0		1		0		0		3		0		26		18		11

(1) All numbers are as of December 31 of each year.

FRANCHISOR'S STATUS SUMMARY OF ALL ANAGO SUBFRANCHISES
FOR YEARS 2004/2003/2002

	SUBFRANCHISES SOLD DURING THE YEAR		SUBFRANCHISES OPENED DURING THE YEAR		SUBFRANCHISES CLOSED DURING THE YEAR		SUBFRANCHISES OPERATING AT YEAR END						
TOTAL	6	9	2	8	7	2	0	0	0	0	26	18	11

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**FRANCHISOR'S STATUS SUMMARY OF ALL ANAGO UNIT FRANCHISES
FOR YEARS 2004/2003/2002**

STATE	UNITS SOLD DURING THE YEAR			UNITS OPENED DURING THE YEAR			UNITS CLOSED DURING THE YEAR			UNITS OPERATING AT YEAR END		
ARIZONA												
Phoenix	5	0	0	5	0	0	1	0	0	4	0	0
CALIFORNIA												
Sacramento	8	0	0	8	0	0	0	0	0	8	0	0
San Diego	0	5	0	0	5	0	0	0	0	1	2	4
CONNECTICUT												
Fairfield County	1	0	0	1	0	0	0	0	0	1	0	0
FLORIDA												
Jacksonville	12	14	4	12	14	4	7	0	0	20	11	2
Orlando	14	6	0	14	6	0	3	0	0	23	6	0
South Florida	14	14	12	0	14	12	0	0	10	110	101	100
Tampa	23	12	20	23	12	20	5	0	15	60	42	33
GEORGIA												
Atlanta	9	11	29	8	11	29	0	0	0	32	27	29
HAWAII												
Honolulu	6	3	0	6	3	0	1	0	0	5	2	0
ILLINOIS												
Chicago	15	15	27	13	14	27	2	0	0	43	54	27
MICHIGAN												
Ann Arbor	10	8	2	10	8	2	0	0	0	18	7	2
Mid- Michigan	5	7	0	5	6	0	0	0	0	11	6	0
NEW JERSEY												
Paramus	8	0	0	8	0	0	0	0	0	8	0	0
NORTH CAROLINA												
Charlotte	3	2	0	2	1	0	0	0	0	4	0	0
Greensboro	7	2	0	7	2	0	0	0	0	9	2	0
Raleigh	0	8	2	0	4	2	0	0	0	0	6	2
OHIO												
Cleveland	10	11	27	10	8	27	0	0	0	35	28	27
Columbus	8	5	0	8	5	0	0	0	0	13	5	0
OKLAHOMA												
Tulsa	9	0	0	9	0	0	1	0	0	8	0	0
PENNSYLVANIA												
Philadelphia	12	1	0	10	1	0	3	0	0	10	1	0
Pittsburgh	4	0	0	4	0	0	0	0	0	4	0	0
TEXAS												
Dallas	27	0	0	27	0	0	0	0	0	20	0	0
UTAH												
Salt Lake City	5	8	0	5	8	0	1	0	0	12	8	0

VIRGINIA												
Hampton Roads	2	0	0	2	0	0	0	0	0	2	0	0
WASHINGTON DC												
District of Columbia	18	8	0	18	8	0	0	0	0	21	8	0
TOTALS	235	140	123	215	130	123	24	0	25	482	316	226

ITEM 21 - FINANCIAL STATEMENTS

Attached as Exhibit H are the audited statements for the periods ending December 31, 2004 and December 31, 2003 & 2002. Our fiscal year ends December 31.

ITEM 22 - CONTRACTS

The following contracts, agreements and other relevant documents are attached as Exhibits to this Offering Circular:

A - ANAGO SUBFRANCHISE RIGHTS AGREEMENT

C - DEPOSIT AGREEMENT

D - SITE DEVELOPMENT SERVICES AGREEMENT

F - NBDS SOFTWARE LICENSE AGREEMENT

ITEM 23 - RECEIPT

In accordance with the Trade Regulation Rule of the Federal Trade Commission titled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures," an Acknowledgement of Receipt by the Prospective Franchisee is attached as Exhibit I.