



Franchise Offering Circular

COIT Services, Inc.
A California Corporation
897 Hinckley Road
Burlingame, CA 94010
(650) 697-5471
Website URL: www.coit.com

The franchisee will sell residential and commercial drapery, carpet, area rug and upholstery cleaning services at retail. Some franchisees will also offer restoration services.

The initial franchise fee for a basic franchise ranges from \$24,000 to \$40,000 depending on the population of the Territory. There is an additional franchise fee of \$24,000 to \$40,000 for restoration services. The range of the initial investment is as follows: \$45,985 - \$128,775 for an on location start-up franchise; \$34,125-\$85,225 for an on location service conversion franchise; \$33,325 to \$128,725 for a plant conversion franchise. The additional estimated initial investment for restoration services is \$50,850 to \$79,050.

Risk Factors:

EXCEPT FOR CLAIMS ARISING UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT AND THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW, THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE THE FRANCHISOR ONLY IN SAN FRANCISCO, CALIFORNIA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE IN CALIFORNIA THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO ARBITRATE WITH THE FRANCHISOR ONLY IN SAN FRANCISCO, CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH THE FRANCHISOR IN SAN FRANCISCO, CALIFORNIA THAN IN YOUR HOME STATE.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission or your local agency.

Effective Date: _____

**COIT SERVICES, INC.
FRANCHISE OFFERING CIRCULAR
INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

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To protect you, we have required your franchisor to give you this information. *We have not checked it and do not know if it is correct.* It should help you make up your mind. Study it carefully. While it includes some information about your contract, do not rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that has been left out, you should let us know about it. It may be against the law.

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

FEDERAL TRADE COMMISSION

WASHINGTON, D.C.

Dated: _____

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EXHIBITS

- Exhibit A -- Franchise Agreement
- Exhibit B -- List of Franchisees
- Exhibit C -- Financial Statements
- Exhibit D -- Promissory Note
- Exhibit E -- Table of Contents of Operations Manual

Exhibit F -- List of State Franchise Agencies
Exhibit G -- Form of Guaranty
Exhibit H -- Description of Computer Components
Exhibit I -- Conversion Addendum
Exhibit J -- Addendum for Acquisition of Competing Business
Exhibit K -- Software License Agreement
Exhibit L -- Additional Territory Agreement
Exhibit M -- Terms of Use for Intranet
Exhibit N -- Restoration Addendum
Exhibit O -- State Addenda

ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor, Its Predecessor

To simplify the language in this Offering Circular, "COIT" means COIT Services, Inc., the franchisor. "You" means the person who buys the franchise. If the owner of the franchise is a business entity, "you" also includes each partner, shareholder or other owner of that entity. COIT is a California corporation incorporated on December 30, 1966 as COIT Drapery Cleaners, Inc. that changed its name to COIT Services, Inc. in 1993. COIT does business as COIT, COIT Drapery and Carpet Cleaners, COIT Carpet Cleaners and COIT Services. COIT's principal office is located at 897 Hinckley Road, Burlingame, California 94010. COIT's agents for service of process are listed in Exhibit F.

COIT has not acquired the major portion of its assets from anyone within the last 10 years. Louis J. Kearns founded COIT Drapery Cleaners in 1950 as a sole proprietor and in 1966 formed COIT as a corporation to operate the business. COIT has no affiliates that provide any goods or services to COIT franchisees or offer franchises in any other line of business.

Business of the Franchisor and the Franchise Offered

All COIT franchised businesses specialize in high quality retail and commercial cleaning. The "Core Services" offered by these businesses currently include cleaning of draperies, carpets, area rugs, upholstery and air ducts. COIT offers the franchise for Core Services under the form of Franchise Agreement attached to this Offering Circular as Exhibit A. COIT Franchised Businesses must provide all of the Core Services. COIT may offer to qualified candidates the right to also provide disaster restoration services, which are services for restoration and cleaning of dwellings and other structures and their contents after damage by fire, smoke, water, sewage and other causes. COIT offers the right to provide these "Restoration Services" under an addendum to the Franchise Agreement attached to this Offering Circular as Exhibit N.

COIT may continue to develop new services. COIT is not obligated to develop or offer you the right to provide new services, but if they are offered, COIT may impose requirements in addition to those described in this Offering Circular, which may include, among others, completion of additional training, payment of additional fees and the execution of additional agreements.

COIT offers franchises to those who want to start a new business and to those wanting to convert an existing cleaning business into a COIT franchise. Conversion franchisees sign the form of Conversion Addendum attached as Exhibit I.

COIT owns and operates in the United States 9 cleaning businesses ("company-owned facilities") under the name COIT that are similar to the franchise described in this Offering Circular. COIT also owns Weldon Brothers and VACCO in Los Angeles, California which offer services similar to COIT's company-owned facilities but not under the COIT name.

You will offer services and products to customers on a pick up and delivery basis (for draperies, area rugs and other removable items) or on-site at the customer's location. You may

operate the franchise (sometimes called "the Franchised Business") in combination with another, noncompetitive garment cleaning business provided you keep that business independent from the Franchised Business by using separate names, signs, bookkeeping and administrative procedures. While some existing franchisees own their own cleaning plants, COIT is not currently selling franchises that would include the build-out of a new cleaning plant. If you own an existing cleaning plant, you may modify it, if necessary, to include drapery cleaning and other required equipment. Otherwise, you would operate strictly as a mobile cleaning service unit with pick up and delivery of draperies on-site. In that case, you would obtain drapery cleaning services from the nearest COIT cleaning plant, or if none is located in your area, from a cleaning plant approved by COIT.

Franchises use specialized business formats and systems, called the "System," which may be modified by COIT. Franchises use certain service marks and other commercial symbols of COIT called the "Proprietary Marks" and a series of proprietary computer programs developed or which may be developed by or for COIT called the "Software Program".

Cleaning plants are affected by the Clean Air Act, the Resource Conservation and Recovery Act and the Comprehensive Environmental Response Compensation and Liability Act, which are administered by the Environmental Protection Agency (the "EPA"). Additionally, there are OSHA regulations, and there may also be state regulations applicable to the Franchised Business. These regulations may, among other things, require you to abide by certain standards for the use and disposal of certain chemical compounds, to only purchase equipment meeting certain specifications and to undertake other measures for the protection of employees and the public. If you will be operating a cleaning plant, you should contact the EPA, OSHA and local and state authorities for detailed information on these requirements. Carpet cleaning generates wastewater. There are many local and state regulations regarding wastewater disposal. You should check with local and state authorities to get more information on requirements. In addition, some Restoration Services projects will include repair work to structures. Your state may require this work to be performed by someone having a general contractor's license. You will need to determine whether a contractor's license is required and in that case, if you do not have a general contractor's license, you will need to subcontract this part of the work to someone who does. You should also check for any bonding requirements that may apply in your state. There are other laws and regulations of general applicability that could impact your operation.

COIT believes the market for the Core Services is growing. Increased demand for in-home services will result from the growth of two income families who have adequate funds and limited time to spend. Your business will be mostly residential. Many other local, regional and national retail and commercial cleaning businesses, some of which are franchised, compete aggressively for the same customers and business as the Franchised Business. There is seasonality in the specialty cleaning business. COIT has diversified services to offset seasonality. However, severe weather, extreme cold, extreme heat, snowstorms or rain can have a significant negative impact on sales of Core Services.

COIT believes the market for Restoration Services is well established. The demand for the services can fluctuate with the seasons and between geographic areas. The market would also be impacted by the occurrence of natural disasters and catastrophic events in your market area that would temporarily increase demand for the services. Restoration Services are marketed to insurance companies and claims adjusters as well as to residential and commercial customers. Your

competition in Restoration Services will include nationally franchised and independent regional or local companies that offer similar services.

Prior Business Experience

COIT has operated company-owned facilities, and has offered COIT franchises, since its incorporation in 1966. Louis Kearn sold the first COIT franchise in 1964. As of the effective date of this Offering Circular there were 59 franchises in operation in the United States, Canada and Thailand. COIT does not and has not offered franchises in any other line of business.

ITEM 2 **BUSINESS EXPERIENCE**

President and Chief Executive Officer: Robert L. Kearn

Robert L. Kearn has been President of COIT since 1993 and served as Vice President from July 1982 until that time.

Chief Operating Officer: Nick Granato

Nick Granato joined COIT in as Vice President of Franchise Services in July 1992. He became Chief Operating Officer of COIT in June 2001. For five years prior to that he was President of Cleaning Systems, Inc. in Toronto, Ontario. From 1978 until 1987, he worked for COIT in various positions including Operations Manager, General Manager and Vice President of Operations. The International Franchise Association has awarded Mr. Granato the degree of Certified Franchise Executive.

Vice President Operations Officer: Janet Donelan

Janet Donelan was promoted to Vice President Operations in 2000. From 1999 until her promotion, she was a Regional Director for COIT. From 1990 until 1999, she was General Manager of COIT's Los Angeles operation. She joined COIT in 1989 as Operations Manager of the Houston operation.

Vice President Operations and Business Development: Veny Pirochta

Veny Pirochta joined COIT as a customer service representative in 1986. He became Vice President of Operations and Business Development for COIT in July 2001. Prior to that he was General Manager of COIT's company operations in the Bay Area from August 1995. From April 1992 until August 1995 he was Assistant General Manager of COIT's company operations in the Bay Area.

Vice President Marketing: Sally Wassink

Sally Wassink joined COIT's marketing department in 1987 and held the positions of Advertising Manager and Director of Marketing before she was promoted to her current position in 1998. Before joining COIT, Ms. Wassink owned and operated a bakery/café in San Francisco.

Franchise Systems Manager: Ellison Penos

Ellison Penos joined COIT in 1996 and has served in various operational and sales capacities. In January 2003, he became Franchise Systems Manager for COIT.

Director of Restoration Services: Stephen Boyce

Steve Boyce joined COIT as Director of Restoration in February 2002. From January 2001 until January 2002, he held a marketing and training position with Chempoint.com in Bellevue, Washington. From April 1998 until November 2000, Mr. Boyce was Manager of Chemical Development and Training for Hydramaster.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Offering Circular. Please see addendum to Offering Circular in Exhibit O for New York's required disclosures.

ITEM 4
BANKRUPTCY

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item. Please see addendum to Offering Circular in Exhibit O for New York's required disclosures.

ITEM 5
INITIAL FRANCHISE FEE

You will pay an initial franchise fee upon signing the Franchise Agreement calculated as follows: \$20,000 plus four cents (\$0.04) per household in the Territory you are purchasing. The range of the initial franchise fee is between \$24,000 and \$40,000 assuming, at the low end, a territory with a population of 100,000 and, at the high end, a population of 500,000. Household numbers are determined by reference to the SRDS Newspaper Advertising Source. The typical territory contains at least 100,000 households.

If you are also signing the Restoration Addendum, you will pay an additional fee of \$20,000 plus four cents (\$0.04) per household in the Territory you are purchasing, so your total initial franchise fee for both the Core Services and Restoration Services, based on the same Territory calculations, would be between \$48,000 and \$80,000. However, our existing franchisees as of April 1, 2004 will only pay a \$5,000 initial fee under the Restoration Addendum and we will waive this initial fee entirely for these existing franchisees who sign the Restoration Addendum by December 31, 2004.

Except as explained above and in Item 12 for existing franchisees, the initial franchise fee is uniformly calculated under the above terms. COIT also reserves the right to waive or discount initial franchise fees for its own employees who wish to become franchisees.

COIT will refund your initial franchise fee payment, less \$2,500 (or \$5,000 if you also signed a Restoration Addendum at the same time you signed the Franchise Agreement) if: (1) you request a refund and termination of your franchise agreement in writing at any time prior to your commencement of the initial training program; and (2) you return to COIT at that time any items, materials, manuals, computer software or supplies you may have received from COIT in connection with starting the Franchised Business and (3) you sign a general release of any and all claims against COIT in a form satisfactory to COIT. Your refund will be made within 10 days of COIT's receipt of your request. The initial franchise fee is not refundable under any other circumstances.

If you are also signing the Restoration Addendum, you will pay an initial training fee for Restoration Services of \$495 per attendee. This fee is payable at the commencement of training and is not refundable for any reason.

ITEM 6

OTHER FEES

In addition to the initial franchise fee, you are obligated to make payments to COIT as described in the table that follows. All payments are assessed by and payable to COIT except payments for cooperative advertising, if any. All payments are nonrefundable.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee on Core Services	Greater of 6% of Gross Receipts from sale of Core Services (subject to certain reductions) or the minimum royalty as described below. ¹	15th day of each month for prior month's receipts.	"Gross Receipts" include all money and other consideration of any kind received as a result of ownership or operation of the Franchised Business. COIT may require payment by EFT.
Royalty Fee on Restoration Services	6%, 4%, or 3% depending on Gross Receipts level. ² Also see "Remarks"	15th day of each month for prior month's receipts.	Rate is 3% of all Gross Receipts from Build back/Put back and Re-install services and other services provided by any Subcontractor who is not an Affiliated Subcontractor ²
Royalty Fee on Goods	Royalties from sales of goods currently authorized are 3% of Gross Receipts.	15th day of each month for prior month's receipts.	

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Restoration Services Training Fee	\$495 for each attendee	Before training commences	Applies only if you sign Restoration Addendum
Referral Fees for Restoration Services	5% of the Gross Receipts generated by the work referred	30 days after you are paid for the work	Payable to the referring party if COIT or another franchisee refer Restoration Services work to you
Lead Fees	Fee charged by 3 rd party providing leads on Restoration Services customers	On invoice	Currently these fees are paid by COIT ³ but this may change in the future.
Team Leader Fees for Restoration Services	\$500 per day that the team leader spends at or in transit to your location plus travel expenses or 2% of the Gross Receipts generated from the project, whichever amount is more	On invoice	Fee is payable if you request a "team leader" from COIT on a Restoration Services project
National Advertising Fees	To be established, but not to exceed 3% of Gross Receipts.	To be established.	There are currently no national advertising fees. A national advertising program can be established by a 2/3 vote of COIT franchisees, and if so established, you would have to participate and pay any advertising fees included in the program.
Cooperative Advertising Payments	To be established.	To be established.	COIT may form regional advertising cooperatives. Your cooperative, if formed, will include as members any COIT company-owned businesses in your region. You must participate in and pay, on a pro rata basis, for your participation in any advertising program approved by a majority of members in your cooperative. COIT can break a tie vote even if it is not a member.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Targeted Data Base Marketing	"Cost +10+10" pricing	On invoice	If you request, and we provide, data base marketing targeted to your Territory, you will pay our production cost plus 10% of cost for overhead plus another 10% of cost. Available only for Restoration Services.
Software Fees	Monthly user fee is \$125 single user, \$225 multiple user; pay for upgrades; reimburse COIT for any travel expenses incurred to install your program.	User fee payable monthly; upgrade fees upon delivery of upgrade, if any.	Price of possible upgrades unknown; must be reasonable. Installation support by phone only, may be possible (no travel expenses).
Interest	Highest legal rate not to exceed 1.5% per month.	Upon invoice.	Paid on any amounts not timely paid by you to COIT.
Insurance	Amount of premium paid by COIT.	Upon invoice.	If you fail to buy required insurance, COIT may buy it for you and you must reimburse COIT.
Additional Training and Meeting Fees	Reasonable fees set by COIT at its option that, based on current estimates, should range from \$0 to \$350 per day of attendance.	Upon your registration for program or meeting.	Applies to additional training COIT may offer beyond the initial training provided.
Transfer	\$5,000.	Prior to transfer of franchise.	"Transfer" defined in Section 13.B of Franchise Agreement.
Renewal	\$1,000.	At least 60 days prior to expiration of the franchise.	
Audits	All costs of inspection and audit.	Immediately upon notice.	You must reimburse costs if audit is done because you fail to submit required reports and documents or if audit shows greater than 5% understatement of receipts.

Note 1: Royalties from the sale of Core Services drop to 3% on Gross Receipts from Core Services over \$1.2 million annually and 2% percent on Gross Receipts from Core Services over \$3.5 million annually. Only Gross Receipts from Core Services count towards achieving these

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benchmark amounts. COIT can increase these benchmark amounts to reflect increases in the Consumer Price Index. See Section 10.B of the Franchise Agreement for details. You must remain in good standing under your Franchise Agreement in order to receive any decrease in your applicable royalty rate from the 6% maximum regardless of your Gross Receipts attained. The minimum monthly royalty applies after the first twelve-month period ("year") from signing the franchise agreement as follows:

Years 2 and 3	\$250 per month
Year 4	\$500 per month
Year 5	\$750 per month
Year 6 and after	\$1,000 per month

If new goods or services are authorized for sale under your Franchise Agreement other than Core Services, the royalty will be the same as above for Core Services and currently authorized goods (6% of Gross Receipts or the minimum royalty for services and 3% of Gross Receipts for goods) unless some other rate is specified by COIT in writing. The reductions noted above only apply to the sale of Core Services and no other sales.

If you are converting an existing cleaning business to a COIT Franchised Business, for each of the first four twelve-month periods after becoming a franchisee you will pay no royalty fee on Gross Receipts up to the dollar volume of your existing business for the twelve-month period prior to your becoming a franchisee. For business above your existing volume, you will pay the full amount shown in the table. After the first four years, you will pay royalties in the full amount shown in the table on all Gross Receipts. See the COIT Conversion Addendum attached as Exhibit I for details.

COIT also provides an incentive for you to acquire competing businesses in your territory and merge them with the Franchised Business in the form of royalty exemptions on part of the Gross Receipts of the acquired business for the first four twelve-month periods after the acquisition. See the COIT Addendum for Acquisition of Competing Business, attached as Exhibit J for details.

Additionally, many franchisees are operating under prior versions of our franchise agreement and may pay a different royalty than what is available under your agreement.

COIT may require any payments due from you to be made via electronic funds transfer. You must agree to designate a bank account for that purpose and sign all authorization forms we and your bank may require.

Note 2: Royalties on Gross Receipts from all Restoration Services, other than those subject to the flat 3% rate as noted in Remarks column above, are paid according to this sliding scale:

6% of annual Gross Receipts up to \$1,000,000

4% of annual Gross Receipts over \$1,000,000 and up to \$3,000,000

3% of annual Gross Receipts over \$3,000,000

“Build Back/put back” means services performed after the structure has been dried and/or cleaned and is ready for construction/repair work, but excluding re-installation of carpets that were removed during the project.

“Re-install” means services related to removal of original structural items such as baseboards and their re-installation at the completion of the project.

“Affiliated Subcontractor” means a Subcontractor affiliated by common ownership or control with you that performs any part of the Restoration Services provided to your customers.

Note 3: COIT may develop agreements with third parties, such as insurance adjusters, insurance companies and managed care providers, to provide leads on customers needing Restoration Services. Our current practice is to pay for all lead fees charged by these third parties, but we may change this practice in the future in our sole discretion. In that case, you will need to pay for all or part of any lead fees charged by a third party lead source for work you accept that was generated by that lead source. However, it is up to you whether to accept any work that requires payment of a lead fee.

Note 4: This range of estimated fees is subject to change in future years. Please see Section 4.A of the Franchise Agreement and Item 11 of this Offering Circular for a full description of your obligations regarding additional training.

Note 5: Except for Referral Fees (if the source is another franchisee), Lead Fees and Cooperative Advertising Fees, if applicable, all of the fees shown in the table above are paid to COIT and are not collected on behalf of third parties.

ITEM 7

INITIAL INVESTMENT

ON LOCATION SERVICE START-UP, CORE SERVICES ONLY:

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$24,000 \$40,000	Lump Sum	Upon Execution of Franchise Agreement	COIT
Advertising and Promotional Costs ²	\$3,000 - \$8,000	Lump Sum or Open Account	Trade Terms	Paid to Suppliers as Negotiated
Rent ³	\$0 - \$2,000	Lump Sum	Monthly	Landlord
Lease Deposit	\$0 - \$2,000	Lump Sum	Lease Inception	Landlord
Utility Deposits	\$0 - \$200	Lump Sum	Service Inception	Utility

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
				Companies
Leasehold Improvements	\$0			
Equipment/Fixtures ⁴	\$6,300 - \$25,300	Lump Sum or 3rd Party Finance	Per Vendor or Finance Company Terms	Vendor or 3rd Party Finance Company
Software User Fee ⁵	\$125	Lump Sum	Monthly	COIT
Vehicle ⁶	\$1,000 - \$20,000	Cash/MFG Financing, Conventional Financing, 3rd Party Lease Option	Per Negotiated Terms	Dealer/Bank or 3rd Party Finance Company
Insurance Deposit	\$0 - \$1,000	Lump Sum	Per Negotiated Terms	Insurance Carrier
Travel/Room/Board for Training ⁷	\$1,000 - \$2,000	Cash/Open Account	Per Vendor Terms	Various Vendors
Internet Services	\$60 - \$150	Lump Sum	Per Vendor Terms	Service Provider
Professional Fees ⁸	\$500 - \$3,000	Per Provider	Per Provider	Service Provider
Additional Funds ⁹	\$10,000 - \$25,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees
TOTAL	\$45,985 - \$128,775			

ON LOCATION SERVICE CONVERSION, CORE SERVICES ONLY:

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$24,000 - \$40,000	Lump Sum	Upon Execution of Franchise Agreement	COIT
Advertising and Promotional Costs ²	\$3,000 - \$8,000	Lump Sum or Open Account	Trade Terms	Paid to Suppliers as Negotiated
Rent ³	\$0 - \$2,000			

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Lease Deposit	\$0 - \$2,000			
Utility Deposits	\$0			
Leasehold Improvements	\$0			
Equipment/ Fixtures ⁴	\$1,000 - \$15,000	Lump Sum or 3rd Party Finance	Per Vendor or Finance Company Terms	Vendor or 3rd Party Finance Company
Software User Fee ⁵	\$125 - \$225	Lump Sum	Monthly	COIT
Insurance Deposit	\$0 - \$1,000	Lump Sum	Per Negotiated Terms	Insurance Carrier
Travel/ Room/ Board for Training ⁷	\$1,000 - \$2,000	Cash/Open Account	Per Vendor Terms	Various Vendors
Additional Funds ⁹	\$5,000 - \$15,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees
TOTAL	\$34,125- \$85,225			

PLANT CONVERSION, CORE SERVICES ONLY:

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$24,000 - \$40,000	Lump Sum	Upon Execution of Franchise Agreement	COIT
Advertising and Promotional Costs ²	\$3,000 - \$8,000	Lump Sum or Open Account	Trade Terms	Paid to Suppliers as Negotiated
Exterior Signage	\$200 - \$500	Cash/Open Account	Per Vendor Terms	Sign Vendor
Rent ³	\$0 - \$2,000			
Lease Deposit	\$0 - \$2,000			
Utility Deposits	\$0			
Leasehold Improvements	\$0 - \$8,000	Cash/Open Account	As Negotiated	Equipment Supplier or 3rd Party Finance Company

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Equipment/ Fixtures ⁴	\$0 - \$40,000	Lump Sum or 3rd Party Finance	Per Vendor or Finance Company Terms	Vendor or 3rd Party Finance Company
Software User Fee ⁵	\$125 - \$225	Lump Sum	Monthly	COIT
Insurance Deposit	\$0 - \$1,000	Lump Sum	Per Payee's Terms	Insurance Carrier
Travel/Room/ Board for Training ⁷	\$1,000 - \$2,000	Cash/Open Account	Per Vendor Terms	Various Vendors
Additional Funds ⁸	\$5,000 - \$25,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees
TOTAL	\$33,325 - \$128,725			

COIT does not offer, either directly or indirectly, financing to its franchisees for any of the above items. All amounts paid to COIT are nonrefundable except as described in Item 5. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

Note 1: The amount of your initial fee will depend on the size of your territory as described in Item 5. The range is based on the same assumptions described in Item 5 above.

Note 2: Advertising expense given is the minimum. You may spend more at your discretion. Local advertising rates will vary. This amount includes the estimate for the yellow pages advertising you are required to place.

Note 3: If you operate an on-location service franchise, COIT recommends you operate from your residence until your volume justifies renting a separate office. In that case you would not incur any initial expenses related to establishing or maintaining a separate office. A conversion franchisee will have an existing facility and should not incur any additional leasehold expenses. If you are a conversion franchisee, you are aware of the amount of rent you must pay under your lease. COIT does not have this information, so no estimate is given.

Note 4: Equipment for the mobile service includes one COIT truck mounted carpet cleaning unit, one portable carpet cleaning unit, one portable upholstery cleaning unit and some accessories. Office equipment includes a computer, telephone, and fax machine. The amount paid for equipment by conversion franchisees depends on how much suitable equipment they already own. The amount needed for a computer system depends on what equipment you currently own and how many terminals you will need for your business.

If you are converting a cleaning plant, you will need a COIT quick form cleaning machine and a 110-inch hot head press or comparable equipment, as well as office and mobile service equipment. Your expenses will depend on the suitability of the equipment you already own. A plant conversion franchisee may also need to install additional plumbing, electrical items and drapery racks, the expenses for which will vary depending on what you negotiate with your contractor.

The low end of the ranges given for equipment and fixtures represent leasing or financing costs and the high end is the purchase price.

Note 5: The software user fee also depends on the number of users. The table assumes a start-up franchisee will only use one terminal.

Note 6: You will need at least one carpet cleaning van or truck with enough space to handle pickups/deliveries of draperies and other goods. A one ton vehicle is recommended. The tables assume conversion franchisees already own a suitable vehicle. The cost of a new vehicle is about \$18,000 and vehicle registration is about \$1,000 depending on your state rates.

Note 7: Travel expenses for training assumes one attendee.

Note 8: Professional fees include charges for an accountant to assist you in setting up your books and an attorney to review the franchise, lease and other agreements you may enter into in starting the business. Rates charged by these professionals vary significantly and you should ask for an estimate and fee agreement in advance.

Note 9: Additional funds include amounts you will need for vehicle operation, employee salaries, office supplies, and miscellaneous expenses not covered elsewhere in the table. The ranges were estimated on the basis of COIT's experience in starting up its own cleaning service businesses, knowledge gathered from field experience with franchisees, and COIT's general knowledge of the industry and the suppliers that service it. The actual amount you need will depend on many factors, including the size of your operation, the amount of business you generate, costs in your market area and your business acumen.

ADDITIONAL INVESTMENT NEEDED FOR RESTORATION SERVICES:

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$24,000 - \$40,000	Lump Sum	Upon Execution of Franchise Agreement	COIT
Marketing and Administration ²	\$4,500	Lump Sum or As Negotiated	As Negotiated	Suppliers
Training and	\$2,500	Lump Sum	On invoice	COIT and third

DESCRIPTION	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Certifications ³				party training organizations
Equipment, Tools and Supplies ⁴	\$12,050	Lump Sum	As Negotiated	Suppliers
Insurance Deposit ⁵	\$1,800 -3,000	Lump Sum or As Negotiated	On invoice	Insurance Carriers
Travel/Room/Board for Training ⁶	\$1,000 - \$2,000	Cash/Open Account	Per Vendor Terms	Various Vendors
Additional Funds ⁷	\$5,000 - \$15,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees
TOTAL	\$50,850 - \$79,050			

Note 1: The amount of your initial fee will depend on the size of your territory as described in Item 5. The range is based on the same assumptions described in Item 5 above. This payment is in addition to the initial fee for Core Services.

Note 2: This is our estimate of additional amounts you will need to market Restoration Services in your Territory plus miscellaneous administrative costs.

Note 3: The estimate for training includes training fees you will pay to COIT plus fees charged by third parties for training needed to obtain the certifications required for you to provide Restoration Services. You must always have on staff a person or persons currently certified by the Institute of Inspection, Cleaning and Restoration Certification, or equivalent certifications as approved by COIT: (i) in Water Damage; (ii) as an Applied Structural Drying Technician; and (iii) as an Applied Microbial Remediation Technician See Section 3.B of the Restoration Addendum.

Note 4: This estimate is for the additional equipment and tools you will need to provide Restoration Services.

Note 5: This estimate is for additional insurance you will need to provide Restoration Services, i.e. pollution liability coverage for mold remediation services.

Note 6: This estimate of the travel expenses related to the Restoration Services training and certifications assumes one attendee.

Note 7: Additional funds include amounts you will need for vehicle operation, employee salaries, office supplies, and miscellaneous expenses relating to Restoration Services not covered elsewhere in this table or this Item. The ranges were estimated on the basis of COIT's

experience in operating its own Restoration Services business, knowledge gathered from field experience of a limited number of franchisees, and COIT's general knowledge of the industry and the suppliers that service it. The actual amount you need will depend on many factors, including the size of your operation, the amount of business you generate, costs in your market area and your business acumen.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Currently, you may purchase products and equipment that meet specifications from any reputable and dependable supplier of them. COIT does not currently maintain a list of approved suppliers of products and equipment, but reserves the right to do so. COIT maintains a purchasing catalog listing recommended suppliers and pricing information.

COIT has issued and may in the future issue specifications as to the types of products and equipment to be used in the Franchised Business, including those relating to carpet and drapery cleaning equipment, pressing equipment, cleaning solutions, software and computer equipment, vehicles and employee uniforms. You must maintain insurance coverage in the types and amounts designated by COIT. Current minimum coverage requirements are for: \$1,000,000 per occurrence general liability coverage including bodily injury, property damage, personal injury, advertising injury and contractual liability coverage; coverage of property under your care and custody for the greater of \$100,000 per loss or five times the value of the work in progress; commercial auto liability insurance of at least \$1,000,000 per accident; worker's compensation insurance; employer's liability insurance of \$1,000,000 per accident and property insurance written on a cause of loss-special form covering your owned real and personal business property for 90% of replacement value. If you provide Restoration services and your general liability policy does not cover mold remediation services, you must obtain pollution liability coverage of \$1,000,000 per occurrence, with an aggregate limit of \$2,000,000. All liability policies must name COIT as an additional insured.

COIT will disclose to you in writing any specifications on products and equipment by designating approved brands, types, compositions, performance qualities or suppliers. Except for the Software Program, COIT does not currently require you to acquire any other equipment, goods or services from COIT or designated sources.

If COIT in the future designates or approves suppliers for the particular products or equipment, COIT will not unreasonably withhold approval of your use of another source if: (1) you give us adequate prior notice; (2) the items conform to our specifications and standards; (3) the supplier is reputable and dependable; and (4) you deliver to COIT, if requested, samples from your proposed supplier for evaluation.

There are currently no other criteria for approval of suppliers. COIT does not currently charge any fees for approval of suppliers, but reserves the right to condition approval of a supplier on reimbursement of its costs in evaluating whether the items conform to COIT standards. COIT will notify you promptly of the approval or disapproval of a supplier after it receives notice and all information and samples necessary to process your request. COIT may revoke approval of suppliers for reasonable cause upon written notice to you. The time period for notification may differ

depending on the circumstances, but it is not expected to exceed 30 days from the date COIT receives all information necessary to evaluate supplier.

COIT has developed a proprietary Software Program that you must use in the operation of the Franchised Business subject to the terms of the COIT Software License Agreement (the "Software Agreement") attached as Exhibit K. Currently, COIT is the only supplier of the Software Program. There is no separate initial license fee for the Software Program. You must use and may be required to pay for upgrades, modifications, replacements and changes to the Software Program adopted by COIT. You will pay COIT monthly Software User Fees (see Item 6). You will purchase compatible computer hardware, software and accessories for operation of the Software Program (see Item 11).

The total revenue received by COIT from Software User Fees for the 2003 fiscal year was approximately \$76,871 or about two tenths of one percent (.02 %) of total revenue from all sources according to COIT's audited financial statements.

COIT has established a toll-free number for telephone service for customer calls that you will use if it is available in your area. COIT selects the carrier for this service. You will pay monthly service fees and calling fees to the carrier for this service. COIT receives no fees or other consideration in connection with the toll-free number. COIT may establish other toll-free numbers in the future, and you must use them if they are available in your area.

Franchisees do not get any material benefit or inducement from COIT for using designated or approved sources.

COIT negotiates purchasing discounts for the benefit of franchisees with some recommended suppliers. COIT receives from some suppliers cash rebates based on the volume of franchisee purchases from them.

COIT may, in its discretion, modify its specifications and requirements regarding any equipment, goods or services. When your existing equipment is depleted or becomes obsolete or worn out to the extent it requires replacement, you agree to replace it in accordance with COIT's modified specifications for the same types and kinds of equipment in effect at the time of replacement.

COIT estimates the cost of the required purchases (Software User Fees) is from between four-tenths of one percent and one and eight-tenths percent (.4% and 1.8%) of the cost to establish your franchise and between one and one-half percent and two and seven-tenths percent (1.5% and 2.7%) of the cost to operate the franchise assuming one user of the COIT Order Entry System.

There are no purchasing or distribution cooperatives.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION

ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR. For purposes of this table the Sections referred to are those in the Franchise Agreement unless otherwise noted.

OBLIGATION	SECTION IN AGREEMENT	ITEM IN THIS OFFERING CIRCULAR
Site Selection and Acquisition/Lease	Section 3.A	Item 11
Pre-Opening Purchases/Leases	Sections 3.B, 3.D and 3.E; Section 4.A of Restoration Addendum	Items 7 and 8
Site Development and Other Pre-Opening Requirements	Sections 3.B, 3.D, 3.E and 3.G; Section 3.B and 3.C of Restoration Addendum	Items 7 and 11
Initial and Ongoing Training	Section 4.A; Sections 3.A of Restoration Addendum	Items 7 and 11
Opening	Section 3.G	Item 11
Fees	Sections 10.A and 10.B; Section 5 of Restoration Addendum; Section 3 of Software Agreement	Items 5, 6 and 11
Compliance With Standards and Policies/Operating Manual	Sections 4.C and 5; Section 8 of Restoration Addendum	Items 8 and 11
Trademark and Proprietary Information	Sections 9 and 12.A; Sections 1, 5 and 6 of Software Agreement	Items 13 and 14
Restrictions On Products/Services Offered	Section 5.C	Items 8 and 16
Warranty and Customer Service Requirements	Section 5.C	N/A
Territorial Development and Sales Quotas	N/A	N/A
Ongoing Product/Service Purchases	Section 5.B; Section 4 of Software Agreement	Items 8 and 11
Maintenance, Appearance and Remodeling Requirements	Sections 5.A and 5.D	Item 8
Insurance	Section 5.G; Section 4.B of Restoration Addendum	Items 6 and 7
Advertising	Sections 6.B, 6.C and 6.D	Items 6, 7 and 11
Indemnification	Section 11.D	N/A
Owner's Participation Management/Staffing	Section 5.F	Item 15

OBLIGATION	SECTION IN AGREEMENT	ITEM IN THIS OFFERING CIRCULAR
Records/Reports	Section 7	Item 6
Inspections/Audits	N/A	Item 6
Transfer	Section 13	Item 17
Renewal	Section 14	Item 17
Post-Termination Obligations	Sections 15.D, 15.E, 15.F and 15.G	Item 17
Noncompetition Covenant	Section 12.B	Item 17
Dispute Resolution	Section 16.D	Item 17
Software Use and Restrictions	Software Agreement	Items 6, 11 and 14

ITEM 10

FINANCING

COIT does not offer direct or indirect financing. COIT does not place financing with anyone, and does not receive any payment for the placement of financing. COIT does not guarantee your note, lease or other obligations.

ITEM 11

FRANCHISOR'S OBLIGATIONS

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

Pre-Opening Obligations

1. Under Section 3.B of the Franchise Agreement, COIT will provide you with miscellaneous carpet, drapery and upholstery cleaning supplies and operational supplies.
2. Under Sections 3.B and 3.E of the Franchise Agreement and Section 1 of the Software Agreement, COIT will grant you a license to use the Software Program.
3. Under Section 3.E of the Franchise Agreement and Section 4 of the Software Agreement, COIT will assist you with the installation of the Software Program.
4. Under Section 3.E of the Franchise Agreement, as part of the initial training program, COIT will train you in the use of the Software Program.
5. Under Section 3.C of the Franchise Agreement, COIT will provide specifications for your COIT Vehicles.
6. Under Section 4.A of the Franchise Agreement, COIT will provide you with an initial training program as further described in this Item.

7. Under Section 4.C of the Franchise Agreement, COIT will loan you a copy of its Operating Manuals.

8. Under Section 3.F of the Franchise Agreement, COIT will provide you with suggestions and materials for use in your grand opening advertising and promotional campaign.

9. Under Section 6.A of the Franchise Agreement, COIT will provide you with an advertising and marketing manual that explains the COIT System and includes samples of available materials.

10. If you request, pursuant to Section 6.A of the Franchise Agreement, COIT will provide a marketing analysis of your Territory.

11. If you request, pursuant to Section 6.B of the Franchise Agreement, COIT will assist you in developing a yellow page advertising strategy.

12. Under Section 3.A of the Restoration Addendum, COIT will provide an initial training program for Restoration Services.

After the Franchised Business Opens

1. Under Section 3.E of the Franchise Agreement, COIT will provide support services in connection with the Software Program.

2. Under Section 4.A of the Franchise Agreement, COIT will provide refresher training courses at times designated by COIT.

3. Under Section 4.A of the Franchise Agreement, COIT will offer an annual convention to advise you about industry information, product information, advertising and business management techniques.

4. Under Section 4.B of the Franchise Agreement, COIT will provide you with such operating assistance as it deems appropriate.

5. Under Section 4.C of the Franchise Agreement, COIT will loan you any updates and changes to the Operating Manuals.

6. Under Section 5.B of the Franchise Agreement, COIT will provide you, via the Operating Manuals, with a list of recommended supplies and suppliers.

7. If you request, under Section 5.F of the Franchise Agreement, COIT will consult with you in the development of your employee training program.

8. Under Section 6.A of the Franchise Agreement, COIT will provide you with sample advertising and promotional programs, the type, content, media, quality and amount of which are within COIT's discretion.

9. If you request, pursuant to Section 6.A of the Franchise Agreement, COIT will provide a marketing analysis of your Territory.

10. If you request, pursuant to Section 6.B of the Franchise Agreement, COIT will assist you in developing a yellow page advertising strategy.

11. Under Section 7.B of the Franchise Agreement, COIT will provide you with its Chart of Accounts that you will utilize in your bookkeeping, record keeping and accounting procedures.

12. Under Section 4.A of the Software Agreement, COIT will assist you via telephone support, with the installation of upgrades or modifications to the Software Program, if any, that may be provided.

13. Under Section 7.A of the Restoration Addendum, COIT will use reasonable efforts to market and promote Restoration Services under the Marks and develop relationships with national vendors and companies that may provide leads or referral opportunities.

Advertising

Assistance Currently Provided

COIT provides consultation on yellow page strategy and market analysis of your Territory at your request, as noted above. All other advertising and marketing assistance is discretionary.

COIT currently provides a complete advertising and marketing package to franchisees in relation to the Core Services. It includes an Advertising and Marketing Manual containing sample advertising and promotional materials as well as suggestions for using creative materials. The Franchise Advisory Council can provide advice to COIT on advertising, but has no decision making power. Franchise Advisory Council members are elected by franchisees. COIT does not guarantee the effectiveness or appropriateness for your market area of any of the ideas or materials or assistance it may provide.

COIT may but is not obligated to offer advertising and marketing collateral materials to promote Restoration Services and you will pay for any of these materials you order at our then current rates. We may also make available to you data base marketing specific to a particular geographic area or client base. If you request data base marketing targeted to the Territory or a client base, you will pay for such marketing on a "Cost+10+10+" basis (our cost for producing the marketing plus another 10% of cost for overhead and another 10% of cost for profit).

Advertising Fund

There is currently no national advertising program or fund, but COIT can at any time implement a national advertising program upon the agreement by two-thirds of all then-existing COIT franchisees to be bound by the material terms and conditions for the establishment, funding and administration of the program. COIT would present the terms and conditions in the form of a written franchise agreement amendment. These terms would include a provision for you to obtain at your request an annual report of how the advertising funds were spent in each year. You will be

automatically bound by the terms of such an amendment upon the decision of two-thirds of all franchisees to accept it, and would be required to participate in any such program so established, including the payment of fees or contributions required under the program. These advertising fees cannot exceed 3% of your Gross Receipts in any year and will count towards your required local advertising expenditures described below. All matters relating to the administration of any advertising fund established, the use of the fund, the type and source of advertising, the media and coverage selected and financial reporting by the fund would depend on the material terms and conditions of the program approved as described above. COIT has not yet developed a definitive proposal for a national advertising program, but intends to present one in the future after consultation with its Franchisee Advisory Council. COIT cannot guarantee that COIT and the Council will agree on a proposal for a national advertising program or that any such proposal will receive the requisite franchisee approval. You should also be aware that the some current COIT franchisees operate under franchise agreements that do not require them to participate in or pay fees for any national advertising program. It is possible that, if a program were approved by a two-thirds vote, up to one-third of all COIT franchisees would not have to pay fees or participate. However, COIT intends where possible (e.g. upon renewals and transfers) to replace these old agreements with new agreements imposing these requirements.

Your Advertising

You must subscribe to 1-800-FOR-COIT service and any other designated toll-free numbers that may be established as described in Item 8 of this Offering Circular and maintain a yellow pages listing for your Service. You must maintain yellow pages listings in directories covering the entire Territory.

You are required to spend at least 7% of your Gross Receipts on local advertising and promotion in addition to what you spend for yellow page listings. However, any amounts you pay for the national advertising program or cooperative advertising, if established, will be credited toward this obligation.

You may use your own advertising materials, but COIT reserves the right to require you to first submit them to COIT for approval. You may not establish or maintain an Internet web site or web page that relates to or advertises your COIT Franchised Business, as COIT reserves the exclusive right to control any web sites or web pages concerning COIT Franchised Businesses.

Advertising Cooperatives

There are currently no local or regional advertising cooperatives, but COIT has the power to reasonably form, change, dissolve or merge regional advertising cooperatives. You must participate in your regional cooperative if one is formed.

Each COIT Franchised Business in a cooperative region, as well as any business owned by COIT, shall have one vote on all matters concerning the establishment or implementation of cooperative advertising programs by the regional cooperative, which shall be decided by majority vote, with abstentions treated as votes against the matter proposed. In case of failure to reach a majority decision, COIT shall have the power and sole discretion to break the tie. You must pay your pro-rata share for any cooperative advertising programs approved. Each cooperative will

collect and administer its own funds and be responsible for its own activities. COIT can control the structure of the cooperatives and therefore could require the cooperatives to operate from written documents and provide financial reports to members, but no decisions have been made to create cooperatives or on the structure of any cooperatives which might be formed. You should be aware that some COIT franchisees operate under agreements that do not require them to participate in advertising cooperatives and it is possible that any such franchisees who may be within your geographic region will choose not to participate in the cooperative. However, COIT intends where possible (e.g. upon renewals and transfers) to replace these old agreements with new agreements imposing these requirements.

Computer Requirements

You are required (Section 3.E of the Franchise Agreement) to use the COIT Order Entry System ("Software Program"), a software program which, with your compatible computer hardware, records customer orders, captures customer names, addresses and other information, and assists in dispatching and routing customer service calls. It also provides accounts receivable, accounts payable and general ledger functions. The program runs on IBM-compatible personal computers. Multi-user systems can operate over the Novell Network or Lantastic networking products. A means of backing up the computer will also be required. Modem and communications software will be required for COIT support of the program. Your printer must be able to print through a six-part invoice.

Current computer system requirements and recommendations are listed on Exhibit H attached to this Offering Circular. For most of the components of your computer system, there are many brands of products on the market. In most cases, all components are readily available from a variety of sources. You will decide which brands of these components are best for your needs and budget, but are urged to review your proposed equipment purchases with COIT before signing contracts. If you request assistance, COIT will review your proposal for purchasing the computer system and help you make an informed decision.

The Software Program is the only component in the required system proprietary to COIT. As noted above in this Item, COIT will provide a software user service through which you will receive, without charge, all errors corrections, operational support and assistance reasonably necessary for the Software Program to operate according to COIT's standards. COIT has no contractual obligation to update or upgrade the Software Program, but if it does do so, you are obligated to purchase and use the updates or upgrades (Section 4.B of Software Agreement). Although COIT will attempt to design changes to the Software Program to operate on existing computer systems used in franchises, it is possible that your system will have to be modified or replaced to accommodate any such changes. There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire these software upgrades and updates or to modify your computer system or replace obsolete or worn out equipment. There is no available annual cost for the Software Program or computer system upgrades and updates as all Software Program upgrades to date have been provided without charge. COIT cannot currently estimate the annual cost of any future updates or upgrades to the Software Program or your computer system.

COIT will have the right at all times to access your computer system to retrieve, analyze and use the information.

COIT has established and may require franchisees to use the COIT Intranet. COIT may in its discretion use the COIT Intranet to provide various forms of training and other assistance to FRANCHISEE, to provide access to its Operating Manual and updates to it, for franchisees to file financial and other reports required by COIT, for general communications between COIT and franchisees, and for such other purposes as COIT may authorize or require from time to time. You must use the COIT Intranet for those purposes designated by COIT and enter into the agreement, as may be modified by COIT from time to time, that establishes the terms relating to the use of the COIT Intranet ("Terms of Use"). The current form of COIT's Terms of Use is attached as Exhibit M to this Offering Circular. You may be denied access to the COIT Intranet if you do not abide by any required Terms of Use, maintain the required Computer System or maintain connection to the COIT Intranet through an ISP (Internet Service Provider).

Site Selection and Service Opening

You are solely responsible for selecting any facilities or offices for the operation of the Franchised Business. COIT is not obligated to do so, but will consult with you about site selection, if you request. COIT does not maintain any criteria for site selection other than the requirement that any office or plant facilities be located in your Territory.

The typical length of time between signing the Franchise Agreement and opening the Franchised Business varies, but you should be able to commence operation within 120 days after signing as required by the Franchise Agreement. Factors affecting this time period include how long it takes to: complete any modification of your plant, if any, to accommodate required COIT services; complete financing arrangements; comply with local ordinances and obtain permits, obtain and install equipment; and place yellow page advertising.

Training Program

COIT provides a tuition-free initial training program for Core Services that includes: orientation to the COIT system; customer service; residential and commercial sales; drapery installation; carpet, upholstery, area rug and drapery cleaning; operational management; financial management; computer software use; advertising and marketing; and reporting procedures. It lasts up to two weeks, but may be less depending on your existing experience level. It is currently held at COIT's Burlingame, California facility, but COIT reserves the right to hold training at one of its division or franchise locations in the future. You and up to 5 additional employees of the Franchised Business may attend Cores Services training without payment of fees to COIT, but you must pay all expenses.

The following table summarizes the content of the initial training program for Core Services:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	INSTRUCTOR
Orientation	1.5 hours	--	Nick Granato, Terri Goodwin
Customer Service	3 hours	1 hour	Connie Serrano, Terri Goodwin
Residential Sales	2 hours	32 hours	Various employees

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	INSTRUCTOR
Drapery Installation	--	8 hours	Various employees
Use of Software	1 hour	--	Connie Serrano, Terri Goodwin
On-Location Cleaning	--	16 hours	Various employees
Commercial Sales	--	8 hours	Ed Glinden
Advertising and Marketing	3 hours	--	Sally Wassink
Drapery Cleaning	--	4 hours	Terri Goodwin
Area Rug Cleaning	--	1 hour	Terri Goodwin
Operational Management	2 hours	--	Scott McWhirter
Financial Management	1 hour	--	John Dedrick
Reporting Procedures	1 hour	--	Nick Granato

COIT's initial training program for Restoration Services is a currently a 6-day course taught at our Seattle location. You must pay a fee for this training of \$495 per attendee. COIT reserves the right to change the duration and location of this course in the future or to modify the amount of training you receive based on your existing experience.

The following table summarizes the content of the initial training program for Restoration Services:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	INSTRUCTOR
Business Planning	1.5 hours	N/A	Steve Boyce
Operations	4 hours	N/A	Steve Boyce
Production Process	4 hours	N/A	Craig Powers
Forms/Contracts/Collateral	2 hours	N/A	Steve Boyce
Marketing	6 hours	N/A	Steve Boyce
Financial Management	1 hour	N/A	Steve Boyce
Xactimate Software Intro.	2 hours	N/A	Craig Powers
Advertising and Marketing	3 hours	N/A	Sally Wassink
Equip. & Product Support	1 hour	N/A	Craig Powers
Asbestos & Mold Review	1 hour	N/A	Craig Powers

In addition to the training we provide for Restoration Services, you will need to utilize seminars or training programs provided by third parties to receive certain certifications required to offer Restoration Services. You must always have on staff a person or persons currently certified by

the Institute of Inspection, Cleaning and Restoration Certification ("IICRC"), or equivalent certifications as approved by COIT: (i) in Water Damage; (ii) as an Applied Structural Drying Technician; and (iii) as an Applied Microbial Remediation Technician. COIT does not provide the training needed for these certifications, but they should be readily available at locations in or near your region. For example, ASD Training (Applied Structural Drying) is a 4-day training course available through DriEaz Products and other companies recognized by the IICRC. WRT (Water Damage Restoration) is a 3-day course available through DriEaz Products and other companies recognized by the IICRC. These programs are provided at several locations nationally.

Instructional materials for our initial training programs include manuals, videos, scripts and audio cassettes. Training is not done by a fixed schedule but will be offered to you prior to opening of the Franchised Business. You must complete all initial training required for your Franchised Business to COIT's satisfaction. You must attend training at the first available session, usually 30 to 60 days prior to opening the Franchised Business. You pay for all travel, lodging and other costs of attendance for you and your employees.

All instructors have at least one year of experience with COIT in the subjects they teach. COIT reserves the right to change, add to, or make substitutions for the trainers disclosed in the above tables as necessary or appropriate.

COIT will provide additional training programs at reasonable times and at locations designated by COIT during the term of the Franchise Agreement, and will host annual national conventions at times and locations designated by COIT. You must attend the national convention. COIT may require attendance at other additional training programs. You must pay for all travel, lodging and other costs of attending training and the national convention. COIT does not charge fees for the national convention. COIT may charge a reasonable per diem fee for other training programs (See Item 6). In the current fiscal year, there will be no more than two to five additional training programs and the programs will be between one and four days long.

COIT currently offers an optional training program called the COIT Performance Academy that is a four-day program focusing on day-to-day management of a COIT Franchised Business. The fee payable to COIT for attending this program is currently \$395.00 but is subject to change by COIT.

A copy of the table of contents of the COIT Operations Manual is attached to this Offering Circular as Exhibit E.

ITEM 12

TERRITORY

You will receive a territory, "the Territory", in which to operate your Franchised Business. The Territory is typically a geographical area containing approximately 100,000 households, but may be larger or smaller depending on the market area. COIT generally recommends a Territory of at least 100,000 households. COIT at its option may grant, if you request, a larger territory subject to your payment of a higher franchise fee as described in Item 5. The franchise is not granted for a

specific location, but your office or facility must be located within the Territory. Any relocation of your office or facility is subject to COIT's approval and must be within the Territory.

You may only operate the Franchised Business and solicit customers within the Territory unless COIT gives you written consent to serve another specified area where no other COIT franchise or company-owned business is located. You will have only limited exclusivity in your Territory. COIT reserves various rights in your Territory as explained in greater detail below. Subject to these limitations, if you comply with the Franchise Agreement, COIT will not operate a business using the COIT System and the Marks within the Territory or authorize anyone else to operate a business using the COIT System and the Marks within the Territory during the term of the Franchise Agreement. COIT is not obligated to ensure that no other franchisee will conduct operations in your Territory. Although such activities are discouraged, COIT reserves the right to determine how to respond to any such situation.

COIT's reserved rights, which limit your exclusivity in the Territory, are as follows. If you and COIT are not parties to a Restoration Addendum, COIT may provide or authorize others to provide Restoration Services to any customers in the Territory. COIT also reserves to itself and any affiliates the right to develop and engage in other lines of business offering and selling goods or services under the Marks or under other marks. COIT decides whether such goods and services become part of your franchise, and the terms that will apply to new services. COIT reserves to itself and its affiliates the rights to: (1) open and license others to open businesses using the COIT System and the Marks within the Territory if you do not remain in compliance with the Franchise Agreement, including the requirement to offer all services and products required by COIT; (2) establish, acquire, franchise and engage in businesses identified by service marks or trademarks other than the Marks within the Territory or at any other location; (3) establish, acquire, franchise and engage in, under the Marks within the Territory and at any other location, businesses that do not offer or sell the same services or products as are offered by the Franchised Business.

In addition, COIT has the exclusive right to control business with National Accounts, subject to your right to participate in National Account business in your Territory as described below. A "National Account" is a business or other organization whose offices, stores, plants, buildings or other physical facilities are not confined to the territory of a single COIT franchisee or COIT-owned or affiliated business. We will offer you first option of providing the services to National Account facilities in your Territory at the prices and subject to the contract requirements we negotiate with the National Account. If you accept the project, we will collect amounts due from the National Account and remit to you the amount due for services you provided to the National Account, less the amount of the Royalties due to us on what was collected, which we will retain for our own account. All amounts you receive from National Account work are included in Gross Receipts for purposes of calculating your Royalty payments. If you decline to service a National Account, COIT has the unfettered right to fulfill the contract requirements to the National Account in the Territory in any manner whatsoever, including through another COIT franchisee, a COIT-owned or affiliated business or a third party contractor. If a National Account requests that someone other than you provide services in the Territory, COIT may revoke your right to provide the services and may fulfill the contract requirements to the National Account in the Territory in any manner it selects.

COIT does not currently operate or franchise under a different trade name or trademark in the Territory any business offering products or services similar to those you will be initially

authorized to offer. As noted in Item 1 of this Offering Circular, COIT may develop other types of services. COIT anticipates that some of its franchisees may acquire from COIT rights to offer new services as they are developed, and in some cases these services may be identified by different service marks. COIT may impose additional contractual requirements and fees for these opportunities. COIT does not promise and you should not assume that you will receive rights to offer any of these new services, either under your COIT franchise agreement or another agreement or service mark.

There are no restrictions that apply to COIT in the Franchise Agreement on soliciting customers in your Territory and no provision for compensating you in that case.

If you are in good standing under the Franchise Agreement and otherwise meet COIT's financial qualifications you may request that COIT: (1) sell you another COIT franchise; or (2) sell you rights to an additional area for your existing franchise within the same Demographic Marketing Area ("DMA") as the original Territory (see Exhibit L). COIT reserves the right in its discretion whether to sell you another franchise or additional territory. If you buy an additional franchise, it will be under the then-current form of franchise agreement and other applicable agreements that may be different from those described in this Offering Circular. If you expand your existing Territory within the same DMA the new area will come under your existing Franchise Agreement. Rights to any geographic areas that are not within the same DMA as your existing franchise may only be acquired by purchasing a new franchise. COIT is currently offering to existing franchisees who acquire another franchise a discount of 30% off of the initial fee then being charged to new franchisees. COIT currently charges existing franchisees who expand their existing territories the rate of four cents (\$0.04) per household for the added territory. If you purchase a new franchise at a discounted initial fee, you will not receive the cleaning and operational supplies under Section 3.B of the Franchise Agreement. COIT reserves the right in the future to discontinue or modify these practices and fees regarding new franchises and expanded territories.

Your Territory rights are not dependent on achieving a certain sales volume or market penetration. However, COIT may establish another franchise or company-owned facility in the Territory if you fail to comply with the Franchise Agreement including the requirements to offer and provide to customers in all parts of the Territory all of the Core Services and such other services that are made mandatory by COIT, maintain yellow pages advertising for the entire Territory, provide daily service in the Territory and provide required customer telephone service.

ITEM 13

TRADEMARKS

Registrations, Litigation, and Infringing Uses

COIT's principal trademarks (the "Proprietary Marks") are described below and have been registered on the Principal Register of the United States Patent and Trademark Office:

<u>Mark</u>	<u>Date</u>	<u>Registration Number</u>
COIT	September 30, 1969	877,943
Tower (design)	July 22, 1969	873,637

COIT has filed all required affidavits and renewals with respect to these registrations.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Proprietary Marks.

There are no agreements currently in effect which significantly limit COIT's rights to use or license the use of the Proprietary Marks in any manner material to the franchise.

COIT is not aware of any infringing uses of the Proprietary Marks that could materially affect your use of them.

Franchisee's Rights and Obligations with Respect to the Proprietary Marks

You must use the Proprietary Marks in the operation and promotion of the Franchised Business. You may not change or add to the Proprietary Marks when you use them, except: (1) for franchisees converting an existing business into a COIT Franchised Business (see Exhibit I); and (2) franchisees acquiring a competing business in order to merge it into their COIT Franchised Business (see Exhibit J), in which case these franchisees may be permitted to use the trademarks of the competing business for a limited time. You cannot use any other identifying words in connection with the Franchised Business except as otherwise agreed by COIT in writing. You must follow the requirements of the Franchise Agreement and the rules in the Operating Manual in using the Proprietary Marks. You must advertise and promote the Franchised Business only under the Proprietary Marks without any accompanying words or symbols except as otherwise required by law and approved in writing by COIT.

You agree to immediately notify COIT when you learn of any infringement or unauthorized use of the Proprietary Marks or any challenge to your use of the Proprietary Marks. COIT is not obligated to take affirmative action in response to these situations. COIT will take whatever action it considers appropriate and will have control over any litigation or settlement of these matters.

COIT will indemnify you for any damages for which you are held liable and for your costs of defense if you are sued or made a party to a lawsuit or other proceeding because of the Proprietary Marks provided you timely notify COIT of the proceeding, give COIT sole control of the defense and otherwise comply with the Franchise Agreement.

COIT can require you to modify or discontinue the use of any of the Proprietary Marks or to adopt additional or substitute trademarks or service marks within a reasonable time after notice to you. If that happens, COIT will reimburse you for reasonable out of pocket expenses related to the change.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

COIT owns no patents material to the franchise. COIT owns no copyright registrations material to the franchise. COIT does have unregistered copyrights in the Software Program, the Operating Manual, and all printed, audio-visual and other materials developed and distributed for use by franchisees or COIT (collectively called the "Proprietary Information"). Information not protected by copyright, but which is confidential to COIT, such as information about our methods, policies, and marketing programs, is also part of the Proprietary Information.

There are no administrative or judicial determinations relating to the copyrights, nor any agreements that limit the use of them. COIT is not obligated to protect these copyrights.

COIT is not obligated to defend or indemnify you if you are made a party to any proceeding because of the copyrights. If your use of the Software Program is enjoined as a result of a claim by a third party, COIT will either: (i) procure for you the right to continue use of the Software Program; or (ii) replace the Software Program or modify it so that it does not infringe the third party's rights.

You will not acquire any interest in the Proprietary Information. You may not disclose or duplicate any part of it other than disclosure to an employee of the Franchised Business to the extent necessary to do his or her job. All Proprietary Information must be returned to COIT immediately upon the termination of the Franchise Agreement for any reason.

The Software Program may not be operated by anyone other than you and the Franchised Business employees, may not be operated on equipment other than the equipment COIT approves, may not be used in conjunction with any other computer applications program, and may not be operated at locations other than the Franchised Business except as otherwise provided in the Operating Manual. You must establish and maintain any security precautions required by COIT to protect the Software Program. You must have each employee who has access to the Software Program sign a confidentiality agreement. For a complete description of your obligations regarding the Software Program, see the Software License Agreement.

You must inform COIT, in writing, if any employee breaches the confidentiality agreement or if there is any other violation of the obligations regarding any of the Proprietary Information or if you learn about any improper use of any of it.

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

You are not required to personally supervise the Franchised Business on the premises, but you or the individual with the controlling ownership interest in the franchise entity must supervise the operation of the Franchised Business. You must maintain a full-time manager of the Franchised Business who must successfully complete the initial training program to COIT's satisfaction. As noted in Item 14 above, your employees must sign a confidentiality agreement regarding the Software Program.

If the Franchise Agreement is signed by or transferred to a business entity, COIT requires the individual shareholders, partners and other equity owners of that entity to personally guarantee the obligations and performance under the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The operation of the Franchised Business is restricted to the sale of services and goods specified by COIT. "Core Services" offered by these businesses include cleaning of draperies, carpets, area rugs, upholstery and air ducts. COIT Franchised Businesses are authorized to provide all of the Core Services and may provide certain other services and goods as approved by COIT from time to time. Only franchisees who have entered into a Restoration Addendum may offer Restoration Services.

You must offer to customers in all parts of the Territory all of the Core Services and any others designated by COIT as mandatory. If you have a Restoration Addendum, you must offer all of those services to customers throughout your Territory. COIT may change the mandatory or permitted services upon written notice and you will have 120 days to comply with the notice by either adding the new product or service or discontinuing any product or service that COIT no longer permits. Otherwise, there is no restriction on COIT's right to change the required or permitted services.

You must participate in and fully comply with any customer warranty or guaranty or customer satisfaction program COIT may establish from time to time. You are prohibited from selling goods or services outside of the Territory (see Item 12).

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise agreement. You should read these provisions in the franchise agreement attached to this Offering Circular. References are to sections in the Franchise Agreement unless otherwise noted.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Term of the franchise	Section 2.A	Ten years from date of Agreement.
b.	Renewal or extension of the term	Section 14.A	One additional 10 year term.
c.	Requirements for you to renew or extend	Sections 14.A and 14.B	You must: have complied with Franchise Agreement throughout term; give six months' notice; execute then-current form of Franchise Agreement; complete any refresher training required; sign general release of claims; and pay \$1,000 renewal fee.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
d.	Termination by you	Section 10.A; Section 4.B of Restoration Addendum	Prior to commencement of training if you make written request and return everything received from COIT you may terminate the Franchise Agreement. If you cannot obtain insurance required for the Restoration Services, you may terminate the Restoration Addendum between 60 and 90 days after signing.
e.	Termination by COIT without cause	N/A	N/A
f.	Termination by COIT with cause	Sections 15.A and 15.B	Section 15.A allows termination effective upon notice; Section 15.B requires opportunity to cure default.
g.	"Cause" defined -- defaults which can be cured	Section 15.B	"Cause" includes nonpayment (10 days to cure) and any other failure to comply with the Franchise Agreement (30 days to cure) except where immediate termination applies (see "h" below) but subject to the Illinois Franchise Disclosure Act §705/19.
h.	"Cause" defined -- defaults which cannot be cured	Section 15.A	Abandonment; material misrepresentations on franchise application; conviction or no contest plea to felony; conviction or no contest plea to crime that adversely affects reputation; misconduct that affects reputation and goodwill; providing unauthorized services; unauthorized use of Marks or Proprietary Information; fail to maintain required insurance; fail to timely pay amounts due creditors or maintain responsible credit rating; fail after 10 days notice to comply with any law applicable to Franchised Business; default on same obligation under agreement two or more times in any 12 month period regardless of whether cured; make assignment for benefit of creditors or admit insolvency; file bankruptcy; fail for two successive years to attend annual convention or mandatory training; ownership of Competitive Business; consistent failure to comply with agreement; health or safety hazards in operation; unauthorized transfer.
i.	Your obligations on termination or nonrenewal	Sections 15.D, 15.E, 15.F and 15.G	Stop using Marks and de-identify, transfer phone numbers and any domain name registrations to COIT; pay amounts due COIT; return Operating Manuals and confidential materials, cease use of Proprietary Information.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
j.	Assignment of contract by COIT	Section 13.A	Fully assignable to assignee that can perform COIT's obligations.
k.	"Transfer" by you -- definition	Section 13.B	Any voluntary or involuntary, direct or indirect transfer of an ownership interest or rights in the franchise by any means.
l.	COIT's approval of transfer by franchisee	Sections 13.B and 13.C	Transfer to third party must meet the following conditions: transfer to partnership, corporation or limited liability company you control permitted if you own at least 51%; maximum 10 shareholders; sole business is operation of Franchised Business; restrictive stock legend and shareholder guarantee.
m.	Conditions for COIT approval of transfer	Sections 13.B and 13.G	Requires: 30 days notice to COIT and COIT's decline of right of first refusal; COIT approval of assignee; assumption of your obligations by assignee; payment of all amounts due COIT; lessor consents if applicable; Franchised Business in compliance with operational standards; assignee signs then-current form of franchise and other agreements; payment of \$5,000 transfer fee; general release of claims against COIT; COIT approval of material terms of transfer; execution of noncompete by transferor.
n.	COIT's right of first refusal to acquire your business	Section 13.G	Written notice of all terms of offer; COIT has 30 days to exercise right and 60 days or time provided in offer to close, whichever longer; right reactivates if transfer to 3rd party not closed in 120 days or if material change in terms.
o.	COIT's option to purchase your business	N/A	N/A
p.	Your death or disability	Section 13.D	Must transfer to approved 3rd party within 12 months subject to all conditions except transfer fee.
q.	Noncompetition covenants during the term of the franchise	Sections 12.B and 13.B(12)	Cannot have ownership interest in or perform services for Competitive Business.
r.	Noncompetition covenants after the franchise is terminated or expires	N/A	However, you must agree not to compete with your transferee if you transfer the Franchised Business. This provision may not be enforceable under California law. Please see California Appendix in Exhibit O.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
s.	Modification of the agreement	Section 16.G	Agreement can only be modified by another written agreement except pursuant to Section 6.C whereby a 2/3 vote of all franchisees could automatically amend your agreement to provide for a national advertising program.
t.	Integration/merger clauses	Section 16.H	Franchise Agreement supersedes all prior agreements, representations, except for those contained in this offering circular. Please see the state specific addendum for Illinois located in Exhibit O to the Offering Circular.
u.	Dispute resolution by arbitration or mediation	Section 16.D	Claims, controversies must be submitted to mediation before arbitration is commenced. Binding arbitration of claims required.
v.	Choice of forum	Section 16.E	Except for claims arising under the Illinois Franchise Disclosure Act and the Maryland Franchise Registration Disclosure Law, which may be brought in courts of those states, all claims must be brought in San Francisco, California except either party may be sued in their own location. Please see the state specific addenda for Illinois and Maryland located in Exhibit O to the Offering Circular.
w.	Choice of law	Section 16.E	State where franchise is located.

NOTES: Section 16.F of the Franchise Agreement requires all claims to be made within one year from occurrence or 90 days from discovery, whichever is earlier, except for claims arising under the Illinois Franchise Disclosure Act and the Maryland Franchise Registration and Disclosure Law.

The Illinois Franchise Disclosure Act requires "good cause" for termination and except where immediate termination is permitted by that act, "reasonable opportunity to cure", which in no event need be more than 30 days.

Under Section 16.I of the Franchise Agreement, both parties waive their rights to recover punitive or exemplary damages against the other and may only recover actual damages sustained.

Under Section 15.A(11) of the Franchise Agreement provides for termination of the franchise upon the bankruptcy of the franchisee, which is not enforceable under federal bankruptcy law.

All general releases required as a condition to transfer or renewal will exclude claims arising under the Maryland Franchise Regulation and Disclosure Law and under Article 33 of the General Business Law of the State of New York.

These states have statutes which may supersede the Franchise Agreement in your relationship with COIT 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. Sections 42-133e et seq.]; DELAWARE [Code, tit.]; HAWAII [Rev. Stat. Section 482E-1]; ILLINOIS [815 ILCS 705/19 and 705/20]; INDIANA [Stat. Section 23-2-2.7]; IOWA [Code Sections 523H.- 523H.17]; MICHIGAN [Stat. Section 19.854(27)]; MINNESOTA [State. Section 80C.14]; MISSISSIPPI [Code Section 75-24-51]; MISSOURI [Stat. Section 407.400]; NEBRASKA [Rev. Stat. Section 87-401]; NEW JERSEY [State. 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 which may supersede the Franchise Agreement in your relationship with COIT including the areas of termination and renewal of your franchise.

ITEM 18

PUBLIC FIGURES

COIT does not use any public figure to promote its franchise.

ITEM 19 **EARNINGS CLAIMS**

The 2004 results of 49 franchise locations in the United States and Canada were included in the earnings information presented below. The earnings information presented is mostly on sales of Core Services, with other sales representing a very small part of the figures. The annual gross sales average for these franchises was \$1,117,424. Of those included in this table, 15 franchises achieved or exceeded the average, 38 franchises achieved gross sales of at least \$125,000 and 44 achieved at least \$75,000 in gross sales. Franchisees are grouped according to the number of households in their territory.

	Number	Households	2004 Gross Sales	Average
Under 100,000 Households				
Location 1	1	96,700	139,671	
Location 2	1	94,400	238,137	
Location 3	1	59,500	6,145	
Location 4	1	51,700	290,515	
Location 5	1	73,300	95,355	
Location 6	1	63,200	31,996	
Location 7	1	71,200	130,000	
Sub-Total	7		931,819	133,117
100-200,000 Households				
Location 1	1	128,500	337,145	
Location 2	1	194,892	47,177	
Location 3	1	116,000	131,367	
Location 4	1	203,100	99,676	
Location 5	1	177,500	1,440,000	
Location 6	1	177,600	329,172	
Location 7	1	199,900	319,679	
Location 8	1	115,385	100,000	
Sub-Total	8		2,804,216	350,527
200-300,000 Households				
Location 1	1	272,400	1,146,739	
Location 2	1	277,100	70,000	
Location 3	1	244,400	5,986,193	
Location 4	1	265,000	442,672	
Location 5	1	228,100	1,760,9938	
Location 6	1	232,900	309,007	

Sub-Total	6		9,715,604	1,619,267
300-500,000 Households				
Location 1	1	384,000	499,782	
Location 2	1	555,000	553,776	
Location 3	1	413,100	266,408	
Location 4	1	412,100	319,919	
Location 5	1	457,900	1,267,275	
Location 6	1	304,500	323,511	
Location 7	1	319,000	110,650	
Location 8	1	325,900	1,035,097	
Location 9	1	448,200	36,834	
Location 10	1	380,600	122,461	
Location 11	1	419,800	127,469	
Location 12	1	368,400	106,395	
Sub-Total	12		4,769,877	397,490
500-750,000 Households				
Location 1	1	749,800	1,651,459	
Location 2	1	608,000	284,000	
Location 3	1	606,800	710,976	
Location 4	1	578,900	3,972,624	
Location 5	1	541,200	276,022	
Location 6	1	524,000	1,163,481	
Location 7	1	576,923	5,526,005	
			13,584,567	1,940,652
Sub-Total	7			
750-1,000,000 Households				
Location 1	1	1,409,300	1,500,000	
Location 2	1	870,800	3,190,506	
Location 3	1	968,600	484,771	
Location 5	1	791,100	230,458	
Location 6	1	940,500	3,219,185	
Location 7	1	979,600	1,356,921	
Sub-Total	7		9,981,841	1,6663,640
1,000,000 + Households				
Location 1	1	1,387,100	5,045,708	
Location 2	1	2,462,800	4,135,690	
Location 3	1	1,153,100	3,784,436	
Sub-Total	3		12,965,834	4,321,945

Total Operations Included	49		54,753,758	1,117,424
Operations exceeding avg.	16		46,147,215	
Operations exceeding \$75k	45			
Operations exceeding \$125k	38			

These figures were obtained from the gross sales reported for 2004 by 49 of the 54 franchises that were operating at the end of the 2004 fiscal year. COIT excluded from these figures the sales information on (1) the Thailand franchisee, (2) franchises that did not supply complete sales information consistent with the format used by the franchises included in this table, (3) sales of franchises that were not in operation for the full year, (4) sales of a franchisee that transferred ownership during the year and (5) sales of franchises that left the system during the year, if any. These figures were compiled from franchisee gross sales reports in accordance with generally accepted accounting principles. The franchisee reports were not audited or independently verified by COIT. Substantiation of the data used in preparing this earnings report will be available to prospective franchisees upon reasonable request.

While these figures may be useful helping you understand the franchise opportunity offered, factors such as average income levels in the Territory, local advertising costs, number and financial resources of competitors, number of commercial establishments in the Territory, climate, your length of time in operation and your efforts and business acumen will affect sales. Note that there are large differences in gross sales even in markets having comparable numbers of households, which indicates that these factors and others may significantly influence results. You should bear in mind that these figures are of gross sales only, not profit. They do not account for expenses like royalties, salaries, equipment costs and other operating expenses, which may vary. COIT makes no representations about historical or projected net sales or profits.

THE ABOVE DATA ARE NOT NECESSARILY INDICATIVE OF THE SALES LEVELS THAT MAY BE ACHIEVED BY A FRANCHISEE IN ANY MARKET AREA. YOUR RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS REPORTED ABOVE.

THE EARNINGS CLAIM FIGURES DO NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES, OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR COIT FRANCHISED BUSINESS. FRANCHISEES OR FORMER FRANCHISEES LISTED IN THE OFFERING CIRCULAR MAY BE ONE SOURCE OF THIS INFORMATION.

THE ABOVE DATA REPRESENT MOSTLY REVENUE FROM THE SALES OF CORE SERVICES. EARNINGS FROM RESTORATION SERVICES DURING 2004 WERE RELATIVELY INSIGNIFICANT. COIT ONLY RECENTLY DEVELOPED ITS PROGRAM FOR RESTORATION SERVICES. THE DATA ARE NOT NECESSARILY RELEVANT TO

RESTORATION SERVICES AND YOU SHOULD NOT RELY ON THESE FIGURES TO EVALUATE THE RESTORATION SERVICES OPPORTUNITY.

ITEM 20
LIST OF OPERATIONS

FRANCHISEE STATUS SUMMARY
FOR YEARS 2004/2003/2002

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY COIT	LEFT THE SYSTEM/ OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISEES OPERATING AT YEAR END
AL							1/1/1
AZ				0/0/1		0/0/1	1/0/0
AR					0/0/1	0/0/1	0/0/0
CA				1/0/0	0/0/0	1/0/0	7/8/8
CO							1/1/1
CT							1/1/1
FL							4/4/4
HI							1/1/1
ID					0/0/1	0/0/1	0/0/1
IL							1/1/1
IN							1/1/1
KS							1/1/1
KY							2/2/2
MN							1/1/1
MO							3/3/3
NE							1/1/1
NJ							3/3/3
NM					0/0/1	0/0/1	0/0/0
NV							2/2/2
NY							2/2/2
OH							5/5/5
OR							2/2/2
PA					0/1/0	0/1/0	1/1/2

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY COIT	LEFT THE SYSTEM/ OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISEES OPERATING AT YEAR END
SC							1/1/1
TN							2/2/1
TX			1/0/0			1/0/0	3/3/3
UT							1/1/1
WA	0/1/0			0/1/0	0/1/0	0/3/0	2/2/3
Subtotal U.S.A.	0/1/0			0/1/1	0/2/3	0/4/4	50/50/52
Canada							3/3/3
Thailand							1/1/1
TOTAL	0/1/0		1/0/0	1/1/1	0/2/3	2/4/4	54/54/56

Where a franchise territory covers more than one state, the franchise for purposes of this table is assigned to the state where it has the bulk of its operation, which is not necessarily the same state shown in the business address listed in Exhibit B.

**STATUS OF COMPANY-OWNED
OPERATIONS FOR YEARS 2004/2003/2002**

STATE	SITES CLOSED DURING YEAR	SITES OPENED DURING YEAR	TOTAL SITES OPERATING AT YEAR END
Arizona	1*/0/0		0/1/1
California		1**/0/0	8/7/7
Georgia			1/1/1
Pennsylvania	0/0/1		0/0/0
Tennessee	0/0/1		0/0/0
Texas			1/1/1
Washington		0/1/0	2/2/1
England	0/1/0		0/0/1
TOTALS	1/1/0	1/1/0	12/12/12

*COIT sold this business in 2004.

**COIT reacquired this business in 2004.

**PROJECTED NEW FRANCHISEES
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005**

STATE	FRANCHISE AGREEMENTS SIGNED BUT FRANCHISE NOT OPEN AS OF DECEMBER 31, 2004	PROJECTED FRANCHISES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY-OWNED OPENINGS IN NEXT FISCAL YEAR
Arizona		0	0
Texas		0	0
SUBTOTAL U.S.A.		0	0
Canada		0	0
TOTAL		0	0

A list of all COIT franchisees is attached to this Offering Circular as Exhibit B.

**ITEM 21
FINANCIAL STATEMENTS**

Attached hereto as Exhibit C are the consolidated audited financial statements of the Franchisor for the fiscal years ending December 31, 2004 December 31, 2003 and December 31, 2002

**ITEM 22
CONTRACTS**

The following Exhibits to this Offering Circular are the contracts used by COIT in offering franchises: Exhibit A is the Franchise Agreement; Exhibit D is the form of Promissory Note; Exhibit G is the form of Guaranty; Exhibit I is the Conversion Addendum; Exhibit J is the Addendum for Acquisition of Competing Business; Exhibit K is the Software License Agreement; and Exhibit L is the Additional Territory Agreement; Exhibit M is the Terms of Use for Intranet and Exhibit N is the Restoration Addendum; Exhibit O includes various state required addenda to the Franchise Agreement and a sample form of general release for renewing or transferring franchisees.