

ZEROREZ FRANCHISING SYSTEMS, INC.
A Nevada Corporation
1464 West 40 South, Suite 100
Lindon, Utah 84042
801-443-1028

INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY FEDERAL TRADE COMMISSION

* * * * *

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ YOUR ENTIRE CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

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

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

STATE MANDATED DISCLOSURES WHICH SUPPLEMENT THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR ARE PROVIDED IN AN ADDENDUM IMMEDIATELY FOLLOWING ITEM 23. IF THE DISCLOSURES ARE APPLICABLE TO YOU, PLEASE REVIEW THEM CAREFULLY. THE EFFECTIVE DATES OF THIS OFFERING CIRCULAR FOR CERTAIN STATES ARE LISTED ON ATTACHMENT 1 OF THIS OFFERING CIRCULAR.

The date of issuance of this Offering Circular is:

February 1, 2004

FRANCHISE OFFERING CIRCULAR

ZEROREZ FRANCHISING SYSTEMS, INC.

A Nevada Corporation
1464 West 40 South, Suite 100
Lindon, Utah 84042
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The franchisee will operate a business that will provide complete floor and fabric care and cleaning services, including carpet, upholstery, fabric, hard surface (except wood) floors, air duct cleaning and the sale of air filters.

The initial franchise fee per exclusive operating territory, is \$20,000, which will be payable in cash or by execution of a promissory note (except in California) as described in Items 5 and 10 below. An exclusive operating territory is a geographic area containing up to approximately 300,000 people that will be defined by contiguous, or nearly contiguous, zip codes. A franchisee will have exclusive rights to all customers and jobs within that franchisee's exclusive operating territory, even if the customers or jobs are originated through the efforts of the franchisor or another franchisee. A franchisee also has non-exclusive rights to service customers or complete jobs located outside its exclusive operating territory, provided that those customers or jobs are not within the exclusive operating territory of any other franchisee. The initial investment required for a franchise consisting of a single operating territory operating a single truck ranges from \$41,000 to \$94,700. For a complete description of the initial franchise fee and the franchisee's initial investment, see Items 5 and 7 of this Offering Circular.

Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES THE FRANCHISEE TO ARBITRATE ANY DISPUTES WITH US ONLY IN UTAH. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN UTAH THAN IN YOUR HOME STATE. THIS REQUIREMENT MAY NOT BE ENFORCEABLE IN YOUR STATE.
2. THE FRANCHISE AGREEMENT STATES THAT UTAH LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. THIS REQUIREMENT MAY NOT BE ENFORCEABLE IN YOUR STATE. *
3. ALTHOUGH WE HAVE FILED APPLICATIONS FOR FEDERAL TRADEMARK REGISTRATION OF CERTAIN OF OUR TRADEMARKS, THE APPLICATIONS HAVE NOT YET BEEN APPROVED AND THE TRADEMARKS HAVE THEREFORE NOT YET BEEN ISSUED.
4. THE FRANCHISE DESCRIBED IN THIS OFFERING CIRCULAR IS A NEW FRANCHISE WITH LIMITED OPERATING HISTORY.
5. YOU WILL COMPETE AGAINST NUMEROUS LOCAL, REGIONAL AND NATIONAL COMPANIES OFFERING SIMILAR SERVICES AND PRODUCTS.
6. THE FRANCHISE WILL DEPEND HEAVILY ON A CLEANING FLUID TECHNOLOGY BELONGING TO A THIRD PARTY TO WHICH WE HAVE A LICENSE.
7. THERE MAY BE OTHER RISK FACTORS CONCERNING THIS FRANCHISE.

*State laws may supercede these Franchise Agreement provisions. Certain states require the superceding provision to appear in an Addendum to this Offering Circular. You may want to investigate whether you are protected by state law.

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

Registration does not constitute approval, recommendation, or endorsement by the Commissioner.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and the appropriate state authority listed in Exhibit A.

The effective date of this Offering Circular is February 1, 2004.

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- B. Franchise Agreement
- C. Required Equipment
- D. Initial Supplies Inventory Package
- E. Financial Statements
- F. Promissory Note (not applicable in California)
- G. Confidentiality Agreement

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- E. Financial Statements
- F. Promissory Note (not applicable in California)
- G. Confidentiality Agreement
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ITEM 1. The Franchisor, Its Predecessors and Affiliates

The Franchisor is ZEROREZ Franchising Systems, Inc., a corporation organized on February 26, 2001 under the laws of the state of Nevada. To simplify the language in this Offering Circular, the terms "we," "us," "the Company," or "ZEROREZ" refer to ZEROREZ Franchising Systems, Inc. We will refer to the person or entity that buys the franchise as "you" or "franchisee" throughout this Offering Circular. If you are a corporation, a limited liability company or a partnership, certain provisions of the Franchise Agreement will also apply to the stockholders, members, and partners of that entity, and will be noted.

We do business under the name "ZEROREZ Professional Cleaning Systems." Our principal business address is 1464 West 40 South, Suite 100, Lindon, Utah 84042. We have a relationship with Electric Aquagenics Unlimited Inc. ("EAU"), which distributes Primacide Cleaning solution generators for use in many different industries. EAU provides certain products and services to ZEROREZ. See Item 8 of this Offering Circular for details. Many of our shareholders own shares of EAU.

The ZEROREZ Business

ZEROREZ is in the business of providing complete floor and fabric care services under its trademarks and service marks, providing access to equipment and supplies related to those services, licensing franchisees to operate a ZEROREZ business in a particular geographic area. ZEROREZ also manufactures, sells and distributes to its franchisees certain equipment, accessories and supplies for use in connection with an ZEROREZ business.

The ZEROREZ Franchise

Each ZEROREZ franchise offers complete services related to carpet and living surfaces care to individuals and businesses using methods and techniques specified by ZEROREZ. These services are provided using the proprietary ZEROREZ technology and equipment, which is contained in a truck bearing our distinctive colors and marks. ZEROREZ franchisees also offer various products and cleaning supplies specified by us for sale to the public.

If you become a ZEROREZ franchisee, you must compete with a large number of already established locally owned floor care businesses, many of which have been in business for a significant period of time. There are also several national or regional programs offering franchises similar to ours against which you will compete. You should consult your local yellow pages telephone directory under such categories as "Carpet and Upholstery Cleaners" and "Tile and Stone Care" to determine the number of competitors in your area. You can anticipate that, because of the number of competitors likely to be in your area, consumers are likely to be very cost conscious.

A ZEROREZ business is subject to numerous laws and governmental regulations that apply to businesses generally. In addition, certain areas of the country may have environmental regulations which may affect how you operate your ZEROREZ business. Before you purchase a ZEROREZ franchise, we suggest that you check on the existence of those regulations in your area.

We began offering franchises in 2003, and we have never offered franchises in any other line of business.

ITEM 2. Business Experience

The following are our principal officers, directors and other executives who have management responsibility for our franchises:

PRESIDENT: James K. Stone

Mr. Stone is a co-founder and director of ZEROREZ. Prior to founding the company, Mr. Stone was the owner and President of Venturi Flood & Fire Restoration, Inc., a company specializing in the cleaning and restoration of properties damaged by floods, fires and other natural disasters. Prior to owning Venturi Flood & Fire Restoration, Inc., Mr. Stone was Vice President of Operations and a member of the board of directors of Venturi Technologies, Inc., a floor and fabric care chain of over 25 locations in the U.S. Prior to that, Mr. Stone was the founder and chief operating officer of Pro-Tech Restoration, Inc. and Stone Flood and Fire, which were acquired by Venturi Technologies, Inc. in 1996. Mr. Stone has also founded a securities firm.

DIRECTOR OF FRANCHISING: Jeff B. Christensen

Mr. Christensen has over 28 years of marketing, new product, operations, and franchising experience with Fortune 500 companies including Procter & Gamble, General Mills (Pillsbury), Wells Fargo, Pepsico, and McKesson Drug. He has significant entrepreneurial experience, including the founding of a successful family restaurant in the Twin Cities of Minnesota that has since grown to eight stores. Most recently, Mr. Christensen served in New York City as a consultant with the worldwide accounting and consulting firm KMPG. That position led to a full-time marketing/client service assignment with Wasatch Funds in Salt Lake City, Utah. Mr. Christensen holds a Bachelor's degree in Economics from Brigham Young University, and an MBA from Stanford University.

SECRETARY: Randy K. Johnson

Mr. Johnson is a shareholder with the Salt Lake City law firm Kirton & McConkie. Prior to joining Kirton & McConkie, Mr. Johnson was Vice President, Secretary and General Counsel of Daw Technologies, an international company specializing in the design, fabrication and construction of clean rooms for the electronics and pharmaceutical industries. From May 1999 to November 2000, Mr. Johnson was Executive Vice President, Secretary and General Counsel of Venturi Technologies, Inc., a publicly held national carpet cleaning roll-up company. Prior to joining Venturi Technologies, Mr. Johnson was engaged in the private practice of law as "Of Counsel" with the Salt Lake City law firm of Mackey, Price & Williams from 1997 to May 1999, and as a partner in the Salt Lake City law firm of Fabian & Clendenin from 1988 to 1997. During the period 1987 to 1988 he was associated with the San Jose, California, law firm Rosenblum, Parish and Bacagalupi; from 1985 to 1987 he was Securities Counsel for the Fox Group of Companies in San Mateo, California; and from 1983 to 1985 he was an associate with the San Francisco law firm Sedgwick, Detert Moran & Arnold. From 1980 to 1983 Mr. Johnson was an associate with Snow, Christensen and Martineau in Salt Lake City. Mr. Johnson is a member of the State Bar of California and the Utah State Bar. He received an A.B. from the University of California at Berkeley and a J.D. from the Boalt Hall School of Law at the University of California at Berkeley.

ITEM 3. Litigation

There is no past or pending litigation which is relevant to or required to be disclosed in this Offering Circular.

ITEM 4. Bankruptcy

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5. Initial Franchise Fee

In order to acquire a ZEROEZ franchise, you must pay an initial franchise fee of \$20,000, which entitles you to one exclusive operating territory. The initial franchise fee will be payable in cash upon the completion of your initial training and the commencement of your franchised business; provided, that with our prior written consent up to one-half of the initial franchise fee may be paid over time pursuant to the terms of a promissory note payable to us in accordance with Item 10, below. Notwithstanding the foregoing, ZEROEZ will not finance any part of the initial franchise fee for franchisees in the State of California.

The initial franchise fee will allow you to operate in an exclusive geographic operating territory that will consist of up to approximately 300,000 people, and that will be identified by certain contiguous, or nearly contiguous, zip codes. So long as you are not in default under the Franchise Agreement, you may acquire the exclusive rights to additional zip codes, as explained in Item 12. The franchise fees are not refundable.

In addition to the initial franchise fee, you must purchase a proprietary cleaning system package from us before you start your ZEROEZ business, for a cost of approximately \$127,840. The cleaning system package includes cleaning supplies, equipment, a fully equipped diesel truck of at least 17,500 GVW and a Primacide fluid generator. See Item 7 and Exhibit C for details. ZEROEZ is currently the only approved source for the truck and equipment. However, if you are able to find a truck which meets all of our specifications, including color, you may obtain it from any supplier. The Primacide fluid generator is supplied only by Electric Aquagenics Unlimited, Inc., a company that is affiliated with us. The generator produces Primacide B, the cleaning solution used in all ZEROEZ franchises. The cost of a generator is approximately \$30,000. Electric Aquagenics Unlimited does not provide financing for its generators. You will be required to sell each of your generators back to Electric Aquagenics Unlimited upon the termination or expiration of your franchise for a price equal to the original purchase price of the generator less one thirty-sixth ($1/36$) of the original purchase price for each month in which the generator was in service. The Primacide generator has a limited life expectancy and will have to be replaced approximately every three years. You will be required to return your used generator when you purchase a replacement generator. A single Primacide fluid generator should be sufficient to support the operation of up to five trucks. You must lease an additional Primacide fluid generator for each five trucks (or any portion of five trucks) you have in operation. See Exhibit C for details. For information on financing options concerning the truck and equipment package and Primacide generators, refer to Item 10 of this Offering Circular.

As listed in Exhibits D-1 and D-2, you must also purchase from us and from third parties an initial inventory of cleaning solutions, supplies, stationery and business forms, software and other accessories. The price of those items is included in the \$127,840 cleaning system package referred to above. All payments for trucks, equipment, and inventory are non-refundable.

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ITEM 6. Other Fees

Name of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Receipts, with a minimum of \$400.00-\$2,000.00 per month (Note 2)	By the 15 th of each month based upon the Gross Receipts for the prior month	The Royalty fee will not begin to accrue until 60 days after the installation of the Primacide fluid generator
National/Regional Advertising Contribution	2% of Gross Receipts (Note 3)	By the 15 th of each month based upon the Gross Receipts for the prior month	This fee will begin to accrue only after we give you 90 days notice that we intend to collect such a fee (Note 3)
Local Advertising	8-10% of Gross Receipts, up to maximum of \$8,000-\$10,000/month (Note 3)	Expended Monthly	
Computer Services/Maintenance & Access Fees	N/A	Monthly	Internet access, access to Intranet and training curriculum
Software Updates	N/A	Annually	
Late Charges	1.5% per month on unpaid balances	Immediately after notice from us	
Training	Varies (Note 5)	At time of Training	(Note 5)
Additional Assistance	Varies	As Incurred	We charge a daily fee plus expenses for any special assistance you request
Audit Expenses	Cost of Audit, plus late fees	Immediately after notice from us	You must pay this fee only if the audit shows that you understated your Gross Receipts by more than 2%; in addition to formal audits, you must give us access to your books and records.
Services We Provide to Your Customers	Varies	As Incurred	(Note 6)
Convention Assessment Fee	\$0	n/a	(Note 7)
Transfer Fee	\$2,500 (Note 4)	Before Transfer is Effective	You must pay this fee when you transfer control of the Franchise Agreement, the franchise, or the franchised business
Insurance	Actual costs	As Incurred	You must reimburse us if we purchase insurance for you as a result of your failure to do so
Indemnification	The amount of loss or damage we suffer	As Incurred	You must reimburse us if we suffer loss or damage as a result of your operation of your ZEROREZ franchise
Costs and Attorneys' Fees	Actual costs and fees incurred	As Incurred	The Franchise Agreement provides that the losing party in any arbitration or litigation pay the prevailing party's attorneys' fees
Ongoing Purchases	Varies	Varies	See Item 8 of this Offering Circular

Note 1. Unless otherwise stated, all fees are paid to ZEROREZ and are nonrefundable.

Note 2. The royalty fee for up to ten (10) initial charter franchisees who have pre-existing relationships with the Company will be three percent (3%) of Gross Receipts. Gross Receipts include all revenues you receive, whether cash, check or credit, from your ZEROREZ business, from all other activities of every type and description done by you or any person employed by you under the name ZEROREZ, or in connection with any of our trademarks or service marks, and from

any carpet, upholstery, or hard surface floor cleaning or maintenance done by you or any person employed by you whether or not our name and marks are used. Gross Receipts shall not include sales or use taxes on goods or services collected on behalf of governmental authorities and receipts from the sale of used equipment. If your state, or any governmental body in your state, charges us a tax on the Royalty Fee we receive from you, then we require you to pay an additional amount equal to the amount of this tax. This does not apply to any federal income tax we have to pay. You must pay a Royalty Fee on Gross Receipts received by you beginning sixty (60) days after the date on which your Primacide cleaning solution generator is installed ("Royalty Commencement Date").

The Royalty Fee you must pay will be the greater of (i) six percent (6%) of Gross Receipts or (ii) \$400 per month during the ten (10) full months following the Royalty Commencement Date, \$670 per month during the next twelve (12) full months, \$890 per month during the next twenty four (24) full months, \$1,330 per month during the next twelve (12) full months, and \$2,000.00 per month thereafter. The minimum royalty outlined above is based on franchisee development objectives that we have formulated that make certain assumptions regarding the rate at which a franchisee is expected to develop its franchised business within its exclusive operating territory. The assumptions used by us in formulating the franchise development objectives include the assumption that each truck will generate gross revenue of \$200,000 per year (increasing consistent with increases in the Consumer Price Index), and that a franchisee with a single exclusive operating territory with a population base of up to 300,000 will have one truck in operation during years one and two, an average of 1-1/3 truck in operation during years three and four, two trucks in operation during years five and six, and three trucks in operation beginning in year seven.

We reserve the right to collect your royalty obligations more frequently provided that we give you sixty (60) days written notice and that the amount of the Royalty Fee does not change as a result of the more frequent collection.

You must also transmit to us electronically, at least monthly, gross sales figures (less credits), sales tickets and monthly sales tax statements. In addition, you must provide to us annual financial statements, including profit and loss statements and a balance sheet.

Note 3. Once we establish a national or regional co-operative advertising program, you must contribute to the national program up to 2% of your monthly Gross Receipts up to \$300,000 and 1% of your monthly Gross Receipts above \$300,000. Beginning on the commencement of your franchise, you must spend at least 10% of your monthly Gross Receipts for local advertising and promotion, up to an expenditure of \$10,000 per month. Upon establishment of a national or regional co-operative advertising program, the amount you must spend on local advertising will drop from 10% to 8% of your Gross Receipts up to an expenditure of \$8,000 per month. You may use these local advertising funds individually or in a local cooperative advertising program. We have the right to review any records to confirm that your expenditures meet the requirements.

Note 4. The transfer fee is \$2,500. If you assign more than one franchise to the same person at one time, you will pay one transfer fee, and the amount will be the highest fee under your agreements. You are not required to pay a transfer fee if the transfer is to your spouse, or your adult child.

Note 5. We provide the initial training of up to two people at our expense. We may charge a training fee for the training of any additional individuals. You may repeat the training at a future date, as needed, on a space available basis upon payment of our then current training fee. All training manuals and materials will be provided at no cost for up to two people from your business. You will be responsible for paying for your own lodging, meals, transportation, and other out of pocket expenses connected with any and all of this training.

Note 6. You must guarantee all of the work of you and your employees. If we incur costs to inspect or correct your work as the result of a customer complaint and your failure to satisfactorily respond to such a complaint, you must reimburse us for our costs reasonably incurred to remedy the complaint.

Note 7. This is the current assessment fee for 2 people from a franchise attending the convention. We reserve the right to increase this fee. Attendance is expected; the fee is mandatory, even if you do not attend the training. The only exception to the assessment fee is for new franchisees that complete the initial training within 90 days before the start of the annual convention, although if you attend the convention, you will be required to pay the fee.

ITEM 7. Initial Investment

The following table is an estimate of the initial investment required for a franchise consisting of a single exclusive operating territory running a single truck.

Expenditure	Initial Payment Amount	Method of Payment	When Due	Whether Refundable	To Whom Payment Is To Be Made
Initial Franchise Fee (Note 1)	\$20,000	Lump Sum or Monthly Payments (Note 1)	Upon completion of initial training and opening of your franchised business (Note 1)	No	ZEROREZ
Truck & Equipment Package (Exhibit C and Notes 2 and 3)	\$0-25,000	Lump Sum or Monthly Payments	Prior to opening	No	Various
Initial Inventory & Supplies Purchased from Company (Exhibit D-1 and Note 4)	\$0 (Price is included in Truck and Equipment Package)	N/A	N/A	No	ZEROREZ
Initial Inventory & Supplies Purchased from Third Parties (Exhibit D-2 and Note 4)	\$5,200	Lump Sum	Prior to Opening	No	Various
Advertising (Note 5)	\$3,000-\$15,000	As Incurred	As Incurred	No	Various
Travel & Living Expenses While Training (Note 6)	\$500-\$2,000 per person	As Incurred	Prior to Opening	No	Various
Computer System & Equipment (Note 7)	\$500-1,000	(Note 7)	Prior to Opening	(Note 7)	Various
Real Property (Note 8)	\$0-\$2,000	(Note 8)	(Note 8)	(Note 8)	(Note 8)
Miscellaneous Other Expenses (Note 9)	\$0-\$1,500	Various	As Incurred	(Note 9)	Various
Insurance (Note 10)	\$1,800-\$3,000	(Note 10)	(Note 10)	(Note 10)	(Note 10)
Working capital	\$10,000-\$20,000 (Note 11)	Various	As Incurred	(Note 11)	Various
Total (Note 12)	\$41,000-\$94,700				

All figures in Item 7 are estimates only. Actual costs will vary for each franchisee and each location depending on a number of factors.

Note 1. See Items 5 and 10 for additional information about the initial franchise fee and financing.

Note 2. You must purchase at least one ZEROREZ Truck and Equipment package as detailed and itemized in Exhibit C. The total cost of the Truck and Equipment package is approximately \$127,840. The figures in this table assume that you finance or lease the various components of the

Truck and Equipment package, and are based on the assumption that you obtain financing or lease financing at competitive rates. These figures are estimates only. Your actual cost will vary according to the finance company you choose, their then current terms and rates and your credit history.

Note 3. You are also required to obtain a Primacide cleaning solution generator supplied by Electric Aquagenics Unlimited, Inc., an affiliate of the Company, for each Operating Territory to which you acquire a franchise, or for each five trucks in operation out of a single location. Electric Aquagenics Unlimited does not provide financing for its generators. Electric Aquagenics has the right to repurchase each of your generators upon the expiration or termination of your franchised business for a price equal to the original purchase price of the generator less one thirty-sixth (1/36) of the original purchase price for each month in which the generator was in service. You will also be required to return all used generators to Electric Aquagenics when you obtain replacement generators.

The Primacide cleaning solution generator has a limited life expectancy. With normal use, a Primacide generator can be expected to last approximately three years. Every three years, you will be required to obtain a replacement Primacide cleaning solution generator. The replacement may be either new or refurbished, at the option of the Company. You will be required to return to the Company your existing Primacide cleaning solution generator in good condition, reasonable wear and tear excepted. You will be required to obtain your own financing for the replacement Primacide cleaning solution generator. The total cost of the Primacide Generator package, which is included in the \$116,300 price of the Truck and Equipment Package, is currently \$30,000. The figures in the table above are estimates only. Your actual cost will vary according to the finance company you choose, their then current terms and rates, and your credit history.

Note 4. You will need an initial supply of cleaning products and supplies in order to commence operation of your ZEROEZ business as detailed in Exhibits D-1 and D-2. The price of the items detailed on Exhibit D-1 is included in the \$127,840 price of the Truck and Equipment Package. All supplies and inventory must meet our specifications. See Item 8 of the Offering Circular.

Note 5. The amounts shown reflect an estimate of cost of initial advertising you may wish to do in connection with the establishment of your franchises business. The initial advertising may consist of radio advertising, yellow pages, flyers, etc. Advertising costs can vary considerably from area to area based upon the size of the area, the types of media available and other factors. For example, live read radio spots cost anywhere from approximately \$150-1,500 each, depending on the market, and to be effective, you should plan on at least 3 to 4 such live read radio spots per week.

Note 6. The range of estimates presented above reflects that transportation expenses will vary according to distance traveled and mode of transportation.

Note 7. The minimum investment for computer systems and software assumes that you lease the computer equipment. While we do not offer any of those kind of lease arrangements, we expect you can obtain third party leasing packages. The maximum investment assumes you purchase the computer systems for cash. Whether any of these funds are refunded to you depends upon arrangements between you and the third party suppliers.

Note 8. You are not required to set up an external office after you sign your Franchise Agreement until you own and operate at least three trucks. However, we expect you will purchase a desk, computer stand, chairs, etc. even if you operate out of your home initially. Amounts, methods of payment, payees and whether any of these amounts will be refunded to you will depend on arrangements between you and third party suppliers.

Note 9. This is an estimate of miscellaneous expenses you will incur in the first 3 months of operating the business and includes security deposits,

Note 10. Insurance costs vary in different locations. The estimate is for one year of liability insurance coverage including vehicle coverage. If you have employees, you may incur expenses for workers' compensation insurance. We are unable to estimate amounts that you may be required to spend for workers' compensation insurance. The requirements and rates vary widely

from place to place. We reserve the right to require you to obtain additional types of insurance and coverage, as provided under the Franchise Agreement.

Note 11. This is an estimate only of the range of initial start-up expenses that you may incur. You should be aware that many of the initial expenses, such as advertising, rent, payroll, insurance and your transitional living expenses, will repeat on a monthly basis, and you should therefore make sure you have sufficient working capital to survive during the build up of revenues. The actual amount of additional funds that you will need depends on a variety of factors including the size of your area, the time of year when you start your business, your management skill, economic conditions, competition in your area, your business plan, and other factors. The estimate of additional funds is based upon an owner-operated business and does not include any salaries or benefits for employees or any allowance for an owner's draw. The estimate is for a period of up to six months. We estimate that, in general, a franchisee can expect to invest additional cash into the business during the first 3 to 9 months, and sometimes longer, but we cannot estimate or promise when, or whether, any individual franchisee will achieve positive cash flow or profits.

Note 12. Your actual investment could be different from our estimates depending on whether you open an office outside your home, spend more in advertising, charge more expenses through your business, hire employees, and various other factors.

ITEM 8. Restrictions on Sources of Products and Services

You must operate your ZEROZEZ business according to our System. The System regulates most aspects of your business, including the products and services you offer, advertising materials, uniforms, office supplies, stationery, and other miscellaneous materials used in your business. All cleaning products, supplies, advertising materials and equipment used by you in the establishment and operation of your ZEROZEZ business must meet our specifications, as established by us from time to time. In addition, you may only offer services authorized by us, and you must offer those services in accordance with our requirements, as established from time to time. You must cease to offer services that we no longer authorize upon notification by us that those services are no longer authorized. The source of these obligations is the Franchise Agreement, and the purpose of these requirements is to maintain the ZEROZEZ image and System, to ensure the identification of ZEROZEZ businesses by the public, to preserve and enhance the goodwill associated with the image, and to fulfill expectations of ZEROZEZ's customers. Specifications may include minimum standards for quality, performance, safety, durability, appearance, size, color, fitness for purpose, design, material, and other characteristics.

Items Which You Must Purchase From ZEROZEZ

As noted in Items 5 & 7, you must purchase or lease, and to use in your ZEROZEZ business, a truck meeting our precise specifications together with certain specific tools, accessories and equipment. In order to maintain the proprietary nature of the business, and to assure the consistent delivery of the ZEROZEZ proprietary services, some of the items you will be required to purchase or lease can only be obtained from or through ZEROZEZ. For example, ZEROZEZ is the only source of supply for Chem Free, used as a pre-spray and Red Dead red stain remover. In addition, in order to maintain the consistency of our brand and to further protect the trademarks, you must purchase invoices and other stationery and office forms from ZEROZEZ or our designee.

If we develop other proprietary equipment or products in the future, you may be required to purchase those items from us.

ZEROZEZ contracts with third parties the manufacture of the equipment and accessories and the assembly of the components in the trucks, which we purchase from a truck manufacturer or dealer at volume pricing. The price you will be required to pay to us for the equipment, accessories and truck reflect our cost of those items, plus a reasonable markup. We agree that at any time that your average monthly gross sales for the previous six months is greater than \$50,000, then we will limit our markup to the cost of shipping and handling.

Approved Suppliers

You must obtain a Primacide cleaning solution generator supplied by Electric Aquagenics Unlimited Inc., an affiliated company. These machines are critical to the operating parameters and competitive advantages inherent in the ZEROREZ business. Electric Aquagenics Unlimited Inc. ("EAU") is the only approved supplier of these machines and has granted ZEROREZ an exclusive license for the use of the machines and Primacide B, a cleaning solution generated by the water machine, within the carpet and living surfaces cleaning industry. As part of the license agreement between us and EAU, certain proprietary technology relating to the cleaning solution generator will be held in escrow to assure that franchisees will have continued access to it in the event EAU becomes insolvent, bankrupt or ceases doing business. You are not permitted to use Primacide A, which is another product of the cleaning solution generator, in the operation of your ZEROREZ business without the prior, express written consent of EAU. You will not be permitted to sell the Primacide machines, except to Electric Aquagenics Unlimited upon the expiration or termination of your franchise, or to an approved franchisee in connection with the sale of your business. Additionally, you will not be allowed to sell Primacide A or B in bottles or in bulk without the prior written consent of the president of ZEROREZ.

We will provide training on the installation of the Primacide cleaning solution generator during your initial training. You will then be responsible for the actual installation and operation of the cleaning solution generator. EAU warrants the design, workmanship and materials of the generators for three years. Service work is either performed at your location or at a centralized service facility designated by EAU. Throughout the warranty period, there is no charge for warranty work, replacement parts, shipping or loaner machines, if necessary, while your machine is being repaired except in the case of abuse of the machine or your failure to perform or record the performance of required maintenance of the Primacide generator. The Primacide cleaning solution generators have a limited life expectancy, and will have to be replaced approximately every three years, depending on the amount of use.

We have obtained a toll free telephone number 1-866-ZEROREZ, and you may be required to advertise the central 1-866-ZEROREZ telephone number in all of your advertising. Calls to the central telephone number for jobs within your exclusive operating territory will be routed to you. Calls for jobs within your market area but that are outside your exclusive operating territory will be routed to you and any other franchisee(s) operating within that market area, on a pro-rata basis.

Other than the items described above, as those items may be modified from time to time, you are not required to purchase other items or services from any other specifically designated suppliers or from us. However, you must purchase all additional cleaning products, equipment, signs, uniforms, supplies, stationery, paper goods, business cards, and report forms utilized in the operation of your ZEROREZ business only from suppliers who have been approved by us. We continually review and evaluate suppliers for this purpose and approve those who are able to meet our standards and specifications, who possess adequate quality controls, and who have the capacity to supply our needs and the needs of our franchisees promptly and reliably. We reserve the right to limit the number of approved suppliers for the purposes of efficiency and effective buying power.

ZEROREZ is an approved supplier for a number of items. Currently those items include cleaning chemicals and solutions, advertising materials, various supplies, deodorizers, vehicle decals, uniforms and promotional items.

We will give you a list of approved suppliers before you start your business. If you want to purchase products from suppliers other than those we have approved, you must request our approval before doing so. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may investigate the ability of the supplier to provide materials that meet our specifications. The prospective supplier must pay to us the actual costs associated with the investigation of their product, although we do not impose any fee upon you for such an investigation. We will usually be able to tell you within 30 days whether or not a supplier will be approved, but the time period will depend upon the cooperation we receive from the supplier in responding to our questions. If we approve a supplier, we have the right to re-inspect its facilities, products and service record from time to time, and we can revoke our approval if the

supplier fails to meet our standards or does not cooperate with us in our periodic re-approval process. Our determination regarding approval or disapproval is final.

With the exception of advertising cooperatives described in Item 11 of this Offering Circular, ZEROREZ has not established and does not participate in any purchasing or distribution cooperatives, and no purchasing or distribution cooperatives have been approved.

We may, at our option, negotiate certain purchase and pricing arrangements with suppliers for the benefit of the entire ZEROREZ System. We do not provide any special benefits to franchisees based upon their use of such suppliers. We reserve the right to collect rebates from suppliers based upon sales made to you in order to defray the costs of interfacing with these suppliers on behalf of our franchisees.

Insurance

You must obtain and maintain, at your own expense, the insurance coverage delineated in the Franchise Agreement, including "all risk" property and casualty insurance, commercial liability insurance, automobile liability insurance, statutorily required workers compensation insurance coverage, any other insurance required by state law, and any other insurance coverage as specified by ZEROREZ from time to time. While you are free to obtain insurance from the company of your choice, we may from time to time have certain relationships with insurers you can use. The Franchise Agreement provides that you must maintain general liability insurance of at least \$1,000,000 per accident or occurrence affecting one or more persons or property damage and \$1,000,000 aggregate. Your cost for this insurance will depend on where your franchise is located, insurance carrier's rates, your insurance history and the level of your deductibles. All policies of insurance maintained by you must contain a separate endorsement naming ZEROREZ as an additional insured and provide that we receive at least 30 days prior written notice of termination, cancellation or expiration of any insurance. You must maintain a blanket fidelity bond of at least \$25,000 to cover the employees you hire. All insurance maintained by you must be placed with an insurance carrier or carriers with an A.M. Best's rating of "A" and an A.M. Best's Class rating of "xiv" or otherwise be approved in writing by us. The cost of this coverage will vary depending on the insurance carrier(s), the terms of payment and your history.

National Accounts

We may, at our option, enter into agreements to provide or accept services for third party companies on a national or regional basis. National accounts may be floor covering manufacturers, retailers, insurance companies or other businesses which offer a market for our services. You should be aware that National Accounts may lead to high volume and, in some situations, discounted pricing. In order to fully develop the ZEROREZ brand on a national basis, all franchisees will be required to service National Accounts at the pricing established by ZEROREZ. In negotiating pricing schedules on National Accounts, ZEROREZ will negotiate in good faith on behalf of all of the franchisees. When a National Account or the customer of a National Account outlet requests ZEROREZ services in your exclusive operating territory or within ten (10) miles of your exclusive operating territory, whether through us or from you directly, you must provide the services requested for the applicable price. Failure to service National Accounts when requested to do so will be considered to be a breach of the Franchise Agreement by the franchisee. You must offer expanded service hours, including 24-hour on-call capability, if reasonably required to service a National Account. If a special price is not in effect for a specific National Account, you may charge your standard rates for service to the National Account.

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ITEM 9. Franchisee's Obligations

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

OBLIGATION	SECTION(S) IN AGREEMENT	ITEM(S) IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	None	Items 7 & 11
b. Pre-opening purchases/leases	Sections 9 & 11 of Franchise Agreement	Items 7 & 8
c. Site development and other pre-opening requirements	Section 7 of the Franchise Agreement	Items 7 & 11
d. Initial and on-going training	Section 8 of the Franchise Agreement	Items 7 & 11
e. Opening	Section 2 of the Franchise Agreement	Items 7 & 11
f. Fees	Section 3 of the Franchise Agreement	Items 5, 6 & 7
g. Compliance with standards and policies / Operating Manual	Section 5 of the Franchise Agreement	Items 8, 11, 15 & 16
h. Trademarks and proprietary information	Section 6 of the Franchise Agreement	Items 13 & 14
i. Restrictions on products/services offered	Section 5 of the Franchise Agreement	Items 8, 11 & 16
j. Warranty and customer service requirements	Section 5 of the Franchise Agreement	Item 11
k. Territorial development and sales quotas	Section 2 of the Franchise Agreement	Item 12
l. On-going product/service purchases	Section 5 of the Franchise Agreement	Items 8
m. Maintenance, appearance and remodeling requirements	Section 5 of the Franchise Agreement	Items 8 & 11
n. Insurance	Section 11 of the Franchise Agreement	Items 6 & 7
o. Advertising	Section 7 of the Franchise Agreement	Items 6, 7 & 11
p. Indemnification	Section 11 of the Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Section 5 of the Franchise Agreement	Items 11 & 15
r. Records/Reports	Section 10 of the Franchise Agreement	Item 6
s. Inspections/Audits	Section 10 of the Franchise Agreement	Item 6
t. Transfer	Section 12 of the Franchise Agreement	Item 17
u. Renewal	Section 13 of the Franchise Agreement	Item 17
v. Post-termination obligations	Section 14 of the Franchise Agreement	Item 17
w. Non-competition covenants	Section 8 of the Franchise Agreement	Item 17
x. Dispute Resolution	Section 15 of the Franchise Agreement	Item 17

ITEM 10. Financing

The initial franchise fee is due in full at the time you complete your initial training and commence your franchised business. In certain situations, except in the State of California, ZEROEZ may agree to accept fifty percent (50%) of the initial franchise fee upon completion of your initial training and opening your business, and a promissory note for the remaining fifty percent (50%) of the

Franchise Fee. The promissory note, in the form of Exhibit F of this Offering Circular, includes certain material terms of which you should be aware including:

- (1) you have the right to prepay the note without penalty;
- (2) if you do not pay on time, we have the right to declare the entire amount of the loan to be due by accelerating the note and to bring legal proceedings to collect the note. If this happens, you will also be liable for our costs incurred in collecting the note, including our attorney's fees and court costs;
- (3) if you default in the payment of the note, this is also a default under the Franchise Agreement, and we may terminate the Franchise Agreement;
- (4) upon default in the payment of the note, the interest rate charged on the note will increase to the default interest rate specified in the note. This interest rate will not exceed 4% over the stated interest rate on the note;
- (5) the note contains provisions by which you waive certain rights, such as presentment for payment, notice of dishonor, protest and notice of protest, and claims that you may have against us in the event that we do not strictly enforce the terms of the note;
- (6) if you are a corporation or partnership, each of your shareholders or partners owning more than 20% of your company must personally guarantee the note.

Although we have not done so, and have no plans to do so, we reserve the right to assign the note to a third party without your consent.

ZEROREZ will not offer financing of any part of the initial franchise fee to franchisees in the State of California.

We do not offer any financing or deferred payment plans for trucks and equipment or water generating machines. We may from time to time have certain relationships with lenders through whom these items may be financed. The rates and terms may vary according to the location of your franchise and your credit history. You are free to obtain financing from the company of your choice. You may buy or lease the truck and equipment. The documents pursuant to which the generator will be financed or leased will provide (a) that upon termination or expiration of the franchised business, the Primacide generator shall be sold back to Electric Aquagenics Unlimited or to the Company at a price equal to the original purchase price of the generator less one thirty-sixth (1/36) of the original purchase price for each month in which the generator was in service; and (b) that the term of the lease or financing will be for no more than 36 months unless otherwise approved by us in writing.

ITEM 11. Franchisor's Obligations

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

Obligations Prior to Opening

Prior to the opening of your ZEROREZ business, we will provide the following assistance:

1. Designate your exclusive operating territory at the time you sign your Franchise Agreement (Franchise Agreement, Item 1.1).
2. Sell one or more ZEROREZ trucks to you or a company you designate which agrees to lease the vehicle(s) to you (Franchise Agreement, Item 5.3).
3. Provide you with a list of approved suppliers (Franchise Agreement, Item 5.2).
4. Provide you with specifications for location and plumbing connections required for the installation of the cleaning solution generator (Franchise Agreement, Item 4.3).
5. Lend to you, for the term of the Franchise Agreement, our Operations Manual which is confidential and remains our property (Franchise Agreement, Item 4.3).

6. Permit you to use the ZEROREZ trademarks and service marks and the ZEROREZ System, in accordance with our requirements (Franchise Agreement, Item 6).
7. Initial training of you and your employees at times and locations designated by us (Franchise Agreement, Item 4.1).
8. Furnish additional advice, counseling and management assistance as you reasonably request (Franchise Agreement, Item 4.4).

Obligations After Opening

During the operation of your ZEROREZ business, we will provide the following assistance:

1. Continuation of the Obligations Prior to Opening set forth above, as those obligations and assistance are needed.
2. Provide marketing and pricing advice. You are not obligated to follow that advice; you have the right to determine the prices you charge, except for National Accounts, for which we will establish pricing.
3. Conduct an annual convention for all ZEROREZ franchisees (Franchise Agreement, Item 4.4).
4. Provide all advertising materials developed by us from time to time for use in a ZEROREZ business. We have the right to charge you an amount equal to our cost of preparing these materials (Franchise Agreement, Item 4.6).
5. If we implement a national advertising program, we will use the funds collected from you for that purpose to formulate and conduct the program (Franchise Agreement, Item 7.3).
6. Participate in any media cooperative advertising program in those media markets where we have a company owned operation. Our participation will be on the same terms that are applicable to the other franchisees in the media area (Franchise Agreement, Item 7.5).
7. Make available to you at our standard prices all spare parts necessary to operate and maintain the ZEROREZ cleaning equipment. The prices we charge will be the same for all franchisees, although we may make available certain volume or other similar discount programs (Franchise Agreement, Item 4.6).
8. Use our best efforts to protect the ZEROREZ trademarks, service marks and proprietary products from infringement by any person (Franchise Agreement, Paragraph Item 6.3).
9. Periodically update our manuals (Franchise Agreement, Item 4.3).
10. Consider items you propose to use in your franchise that we have not previously approved to determine whether they meet our standards and specifications (Franchise Agreement, Item 5.2).

Advertising Programs

We consider advertising and promotion to be critical to the growth of a ZEROEZ business. As a result, we require that you spend at least 10% of your Gross Receipts for local advertising and promotion until a national or regional co-operative advertising program is begun, up to a maximum expenditure of \$10,000 per month, at which time the amount you will be required to spend on local advertising will be reduced to 8% of your Gross Receipts, up to a maximum expenditure of \$8,000 per month. You are free to determine how the required local advertising funds are spent, provided that you provide us with a summary of the advertising expenditures on at least a quarterly basis, and provided further that you will promptly discontinue any advertising upon our request. You may employ the services of an advertising agency if you so desire. All advertising materials not prepared by us, or which were produced by us but altered by you or your representatives, must be approved by us in advance of their publication.

In addition, we anticipate establishing a national or regional co-operative advertising program, to which you agree to contribute 2% of your Gross Receipts up to \$300,000 per month and 1% of your Gross Receipts in excess of \$300,000 per month, once the program is established. In connection with the national advertising program, a co-op board of three to five board members will be determined by majority vote of the franchisees. Vendors will be chosen by the co-op board based on a competitive bid process. ZEROEZ shall have the final right to approve all advertising vendors and advertising copy.

In order to maintain consistency and quality, you will be required to purchase all of your radio advertising through whatever media buyer or advertising company we may designate from time to time. You must advertise our central 1-800-ZEROEZ telephone number in all of your advertising. All calls to the central telephone number originating within your exclusive operating territory will be routed to you. Calls for jobs within your market area but that are outside your exclusive operating territory will be routed to you and any other franchisee(s) operating within that market area, on a pro-rata basis. You must pay your proportionate share of the cost of the toll free telephone number.

If we or a majority of ZEROEZ businesses in your media area determine that a cooperative media area advertising program should be formed, you must participate in and pay your pro-rata share for that cooperative advertising program. All ZEROEZ franchisees that have businesses, and us if we have a company owned location, in the media area must participate in the cooperative. The media area will be determined by us using third party media services such as Nielson for television and radio and areas of circulation for printed media.

Cooperatives operate under "Cooperative Advertising Guidelines" published and updated from time to time in the Operations Manual. Each cooperative is free to set its own budget and is self-administered under guidelines as set forth in the Operations Manual. All cooperatives operate on a one ZEROEZ business equals one-vote basis. In the event of disputes or tie votes, which cannot be resolved by the members of the cooperative, we reserve the right to resolve the dispute. Unless ZEROEZ is a member of an advertising cooperative in your media area, we have no obligation to spend any money for advertising in your area. We do not require cooperatives to prepare or submit periodic financial statements, although they are free to do so.

You are not permitted to obtain or maintain your own Internet web site, domain name or any other online presence, separate from the one we make available to you, which contains anything related to the ZEROEZ franchise, business, approved services or any of our trademarks or service marks without our express written approval.

We will support the toll-free number, 1-866 ZEROEZ (937-6739), an Internet site, www.zereresidue.com, and employee email accounts. In addition, all national marketing programs and product testing requires our prior review. Also, changes in product or service lines require our approval.

Computer/Software Systems

You must use computers, software, Internet connections and printers that meet our specifications. You must upgrade or supplement your hardware and/or software, including the purchase of additional equipment if necessary, as specified by us from time to time to improve the overall effectiveness and competitiveness of your business. We reserve the right to have access to your schedule for the purpose of scheduling appointments for National Accounts.

You will be required to purchase and use a software package called "Camelot" manufactured by Vanguard Computer Systems, Inc., 1012 Stearman Drive, Whitehouse, Tennessee 37188. The Camelot software will provide scheduling, sales reporting and tracking, business performance reporting and payroll data. To operate the program you will need computer equipment meeting the specifications in the table above. We do not recommend any particular supplier of computer equipment and are under no obligation to help you find computer equipment. You may purchase equipment meeting our specifications from any supplier you choose. We will provide you with the telephone support to help you operate the software and to answer routine questions about the operation and maintenance of the software. The manufacturer will assist in providing technical support if necessary.

You are prohibited from changing or modifying the Camelot software, and you will be bound by the terms of the license agreement that comes with the software. Although we have no current plans to specify any other software from any other supplier, we reserve the right to do so.

We have private, secure sites on the Internet, which are available to ZEROREZ franchisees, 24 hours per day, 7 days per week. These sites allow you and other franchisees to send e-mail to the corporate staff, post and respond to questions and view other responses in question and answer forums, view and print news items, view and print the latest versions of our manuals, download files and software updates, update and order business forms, order products you will use in the operation of your business, conduct background checks on prospective employees, and access training courses and materials for you and your employees.

Operations Manual

We will loan you one copy of the ZEROREZ Operations Manual, which you will receive at the appropriate time during the initial training in our offices. "Operations Manual" means our confidential operations manual, as amended from time to time, that may consist of one or more manuals (including training manuals), containing our System standards, specifications and operating procedures relating to the development and operation of a ZEROREZ business. "Confidential Operations Manual" also includes alternative or supplemental means of communicating that information by other media, including bulletins, e-mails, videotapes, audio tapes, compact discs, computer diskettes and CD's. You agree to keep your copy of the Operations Manual current. If there is a dispute relating to the contents of the Operations Manual, the then current version posted on our Intranet site will be controlling. The Operations Manual contains Confidential Information, and you agree not to copy any part of it.

You may review our Operations Manual at our franchise support center before you sign the Franchise Agreement if you wish.

Site Selection

You select the site for your business within your territory. We do not select or approve a business location for you, and we are not required to provide any assistance to you in selecting a location, although we will offer guidance if requested to do so by you. Any location you choose must include approximately 100 square feet of floor space to accommodate the Primacide generator and accessories, a sanitary sewer drain, and access to a cold water outlet.

Time Before Opening

You must commence operation of your ZEROEZ business within four (4) months after you complete our initial training program. The typical length of time from the signing of a Franchise Agreement to the commencement of operations by a franchisee is 30 to 60 days. Factors affecting the length of time before opening usually include obtaining the necessary financing if any, delivery of equipment, installation of the Primacide cleaning solution generator, schedule of training classes and the termination of your current employment if necessary.

Training

You, and any and/or all general managers, must complete the initial training class to our satisfaction before you begin the operation of your ZEROEZ business. Two people from a new franchise may attend the initial training at no charge. Additional people may attend at a cost to be determined by us. In addition, you must pay your costs and expenses to attend the training including transportation, food, lodging, and wages of the persons attending training, if applicable.

This training program is offered periodically for the convenience of new franchisees, at our headquarters in Lindon, Utah, approximately 30 miles south of Salt Lake City.

You, and all of your technician employees, will be required to pass periodic examinations in order to be certified to clean carpet and provide other living surfaces care services using the ZEROEZ method or name.

The chart below summarizes the subjects we typically cover in training, the instruction materials we use, the approximate hours of instruction and the current instructors. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees and other factors.

Subject	Instructional Material	Approximate Hours of Classroom Training	Approximate Hours of On-the-Job Training	Instructor
Carpet & Upholstery Online	Online (not presently available)	Self Paced	0	Various
ZEROEZ Systems	Ops. Manual	2	1	Various
Upholstery, Leather & Hard Surface Cleaning	Ops. Manual	6	4	Various
Repairs	N/A	1-2	3	Various
Truck & Equipment	Truck & Equipment Manuals	1	2	Various
Carpet Cleaning	Fabric Cleaning Manual	8	0 (covered in Field Service)	Various
Duct Cleaning	N/A	2	6	Various
Tile and Hard Surface Cleaning	N/A	1	1	Various
Field Service	Service/Delivery/Sales	0	60	Various
Office Procedures	N/A	2	0	Various
Corporate Culture	Multimedia	2	0	Various
Check Out	N/A	1	N/A	Various

We may offer other required or optional training programs to your employees, such as new product training, in locations we designate or via our online training site. If we direct you to do so, you must

ensure that your employees satisfactorily complete any required training. We do not expect to make a profit on any additional training, and the fees we charge for that training will be limited to the amount necessary to recoup our costs.

Convention

We hold an annual convention each year. There is no charge for up to two (2) individuals from a single Franchise to attend the convention. However, you will be responsible for all your expenses for attending the convention, including transportation, meals and lodging.

ITEM 12. Territory

Prior to signing the Franchise Agreement, you will be assigned an exclusive operating territory, which will be a geographic region defined by contiguous, or nearly contiguous, zip codes. It is estimated that your initial exclusive operating territory will represent a population base of up to approximately 300,000 people. The actual population in an exclusive operating territory will vary, and there is no guarantee that your exclusive operating territory will consist of any specific minimum number of people. You will have the exclusive right to provide franchise services or complete jobs within your exclusive operating territory.

In addition to having the exclusive right to provide franchise services or complete jobs within your own exclusive operating territory, you will also have the non-exclusive right to provide franchise services or complete jobs in any geographic location outside your exclusive operating territory, provided that the location of that service or job is not within the exclusive territory of the Company or any other franchisee. If you receive a request for services outside your exclusive operating territory, you will be required to refer the request for services to the ZEROEZ franchisee of the exclusive operating territory in which the service is requested. If the request for services is for services outside any exclusive operating territory belonging to a ZEROEZ franchisee, then you may accept the job, even if the job is outside your exclusive operating territory. We may, in the future, grant to another franchisee an exclusive license to territory that is outside your exclusive Operating Territory but that is within the market area in which your exclusive Operating Territory is located, and in such event you will be required to cease doing business in that newly created exclusive Operating Territory belonging to another franchisee.

Subject to the limitations described below, we retain the right to offer and sell franchises covering any territory other than territory covered by your exclusive operating territory. However, we will not offer or sell any new franchises within your unified market, as defined below, without providing to you at least fifteen (15) days prior written notice of our intent to offer or sell the new franchises.

Provided that you have met your business development quotas as set forth in Schedule A to your Franchise Agreement, and provided that you have not defaulted in any of the terms of your Franchise Agreement and that you are current on all payments and other obligations to us, you may purchase additional territory contiguous to your exclusive operating territory, or within the same unified market as your exclusive operating territory. You will not be allowed to purchase additional territory that is not contiguous to your exclusive operating territory or within the same unified market as your exclusive operating territory without our prior approval. The newly purchased territory will be identified by zip codes. Any additional territory you purchase will be added to your exclusive operating territory. You may exercise your right to purchase additional territory at any time before the date thirty (30) days after the date that we notify you of our intent to offer or sell any new territory to a new franchisee, provided that the purchase must be completed within thirty (30) days after the date you exercise your right to purchase the new territory. The purchase price to existing franchisees for new territory will be equal to the then current initial franchise fee charged to new franchises multiplied by a fraction, the numerator of which is the population of the new territory according to the latest available census numbers and the denominator of which is 300,000. By way of example, if a franchisee exercises its right to purchase new territory with a population of 100,000, and if the Company's initial franchise fee is then \$25,000, the purchase price, or franchise fee, for such new territory will be \$8,333.33 ($\$25,000 \times (100,000/300,000)$). Partial zip codes will not be sold. In the event two or more franchisees desire to purchase the same additional territory within a unified market, the priority of the competing rights will be determined by the dates on which each franchisee commenced business operations within

the unified market, with the first franchisee in a given unified market receiving the first right to purchase the territory, the second franchisee in the unified market receiving the second right to purchase the territory, and so forth.

We may sell products bearing the Marks in retail stores such as supermarkets, floor covering stores, hardware stores or home centers, or other channels of distribution without regard to your exclusive operating territory, provided that we do so in a manner that is intended to benefit our franchisees. We reserve the right to promote and/or sell products and services via e-commerce if we determine that those sales will benefit the ZEROREZ System and/or marks. We may establish or acquire other franchise systems for similar or different products and services using different trademarks or service marks in your exclusive operating territory, or the exclusive operating territory belonging to any other ZEROREZ franchisee.

A unified market is defined on a case-by-case basis but, in general, consists of an area covering a single media market, such as an entire county.

Under the Franchise Agreement, you have an obligation to use your best efforts to promote your ZEROREZ business and to increase demand for your services within your exclusive operating territory. In addition to the business development quotas described above, you will be in breach of the Franchise Agreement if you fail to achieve the Gross Sales necessary to meet the minimum monthly royalty payments for four (4) consecutive months. Together with you, we will agree to that performance criteria, if applicable, before you sign your Franchise Agreement.

The description of your territory may not be changed unless you agree in writing. You maintain rights to your exclusive operating territory even if the population within the exclusive operating territory increases during the term of your Franchise Agreement. The boundaries of your operating territory will not change according to increases or decreases in population during the term of the Franchise Agreement.

We have not established conditions under which we will approve the relocation of a ZEROREZ franchise because we believe franchise relocations will occur very rarely.

ZEROREZ reserves that right to develop, and to market and sell to commercial end users anywhere in the world, including in your exclusive operating territory, a portable carpet or fabric cleaning system, provided that our efforts are done in a way that will, or that is intended to, benefit our franchisees.

ITEM 13. Trademarks

The Franchise Agreement gives you the right to operate a ZEROREZ business under the trade names, trademarks and service marks that we establish. You must follow our rules when you use our marks. You cannot use any of our names or marks as a part of a corporate name or with modifying words, designs or symbols, except those we license to you. You may not use any of our names or marks for the sale of any unauthorized products or services or in a way we have not authorized in writing.

We have applied for federal registration of the Marks listed below on the Principal Register of the United States Patent and Trademark Office.

<u>MARK</u>	<u>DATE APPLICATION FILED</u>
"ZEROREZ"	October 30, 2003
Logo consisting of name and nine dots	October 30, 2003

In addition to the above federal trademark registrations, we claim common law trademark protection of the slogan "No residue means cleaner longer."

There are currently no effective determinations of the U.S. Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court, or any pending infringement, opposition or cancellation proceedings, or any material litigation, involving our principal marks.

Your right to use these Marks and other symbols, logotypes, insignia, trademarks, or service marks developed for and used with your ZEROEZ business is derived solely from the Franchise Agreement. You use these Marks solely in connection with the operation of the franchise licensed by us. You may not use the Marks with the sale of any unauthorized product or service or in any other way not explicitly authorized by the Franchise Agreement or otherwise approved by us in writing. You must display the Marks only as we specifically direct or approve. You may not use any portion of the Marks as part of your company name or as part of your trade name without our prior written consent. You must display the following legend on all stationery, business cards, promotional material, signs on your premises, trucks, and other materials as we may require: "This franchise independently owned and operated under a license granted by ZEROEZ Franchising Systems, Inc."

We have the right to approve all stationery, promotional items, displays, and other materials you prepare using the Marks. If you fail to comply with any trademark use requirement set forth in the Franchise Agreement, we may terminate your right to use the Marks and may take any other action we deem appropriate to protect the Marks.

The goodwill associated with these Marks will remain our exclusive property and you will derive no tangible benefit from our goodwill, except for the general benefit you receive from the operation of the ZEROEZ business. Upon termination of the Franchise Agreement, all rights to use the Marks will automatically revert to us without payment to you and without the execution or delivery of any document.

We reserve the right to adopt new marks at any time, or to change our marks. If we adopt new marks, or change our existing marks, you must use the new or modified marks, and discontinue the use of any marks we decide to change or discontinue. In that case, we will either give you sufficient notice to allow you to use any trademarked stationery and/or marketing material purchased by you in the immediately preceding 90 days which will become obsolete, or at our option, purchase those materials from you at your cost.

You must notify us of any use of, or claim of right to, a trademark which is identical or confusingly similar to our marks. You may not prosecute or defend any claim or action with respect to the marks without our consent. We must use such efforts as we deem reasonable, considering the costs and other risks involved, to protect our marks from infringement by any person. We have the right to control any administrative proceedings or litigation concerning any of the marks. You must cooperate with us in any proceeding or litigation involving any of the marks.

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any action for trademark infringement arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as otherwise provided, for all costs you reasonably incur in defending any claim brought against you, provided you have timely notified us of the claim and provided further that you and your Owners are in compliance with this Agreement and all other agreements entered into with us or any of our Affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any action arising out of your use of any Mark, and if we undertake to prosecute, defend and/or settle any matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

ITEM 14. Patents, Copyrights and Proprietary Information

The Company holds an exclusive license from Electric Aquagenics Unlimited, Inc. on the use of Primacide B for carpet and living surfaces cleaning. In addition, the ZEROEZ equipment package is proprietary and was developed exclusively for use in the ZEROEZ business. In addition, the cleaning solutions Primacide B, Chem Free, and Red Dead are specially formulated, proprietary, and confidential products. We claim copyright and common law rights in our Confidential Operations Manual and our advertising and promotional materials, none of which are currently registered with the United States Copyright Office.

There are no agreements currently in effect that significantly limit our rights to use or license these copyrights or common law rights in any manner material to this franchise, nor are there any effective determinations of the Copyright Office or any court regarding any of the copyrighted material. We do not know of any infringing uses that could materially affect your use of these copyrighted materials in any state. We are not required by any agreement to protect or defend any copyrights or confidential information, although we probably will do so if taking that action is in the best interest of the ZEROREZ System. The Confidential Operations Manual is provided to you on loan during the term of the Franchise Agreement. You will receive one manual per franchise and must sign a receipt when you receive it. These copyright and common law rights are primarily to protect our proprietary interests in these materials.

During the term of the Franchise Agreement, you will be exposed to proprietary information, including trade secrets that we have developed. This information includes our Confidential Operations Manual and subsequent revisions, our advertising and marketing methods and strategies, sources of supply, operating methods, cleaning techniques and products, equipment specifications, service standards, sales techniques, national account relationships or affiliations, expansion plans and other facets of the ZEROREZ System. The Franchise Agreement requires you to maintain the confidentiality of this information at all times and to prevent unauthorized persons from getting access to it. This information remains our property at all times. You must also take all appropriate precautions to prevent unauthorized copying or disclosure of any confidential information by your employees or agents. The precautions include restricting access to the information on a "need to know" basis. You must have management personnel execute a non-disclosure agreement, the form of which we must approve, to ensure that they maintain the confidentiality of the information.

ITEM 15. Obligation to Participate in the Actual Operation of the Franchise Business

While we recommend that you participate in the operation of your business, you are under no obligation to do so. However, a manager who has successfully completed our training program must always directly supervise the business. The manager is not required to have any ownership interest in your business. However, we hold you personally responsible for the day-to-day management of the business and you will sign a Guaranty that will individually bind you and your partners to all covenants, obligations and commitments contained in the Franchise Agreement until franchise operates at least five (5) ZEROREZ trucks. We will require you, your managers, technicians, employees and any other persons affiliated with you who come in contact with confidential information to sign a confidentiality agreement in the form attached as Exhibit G. Upon termination or expiration of your Franchise Agreement, ownership of all customers and customer lists will vest in us, and you will be required to turn over to us all of your customer lists. You will be prohibited for a period of at least eighteen (18) months from providing any services of the nature provided by ZEROREZ for any of the customers for whom you provided services.

ITEM 16. Restrictions on What the Franchisee May Sell

You must offer and provide the services we require. You have no right to add additional services under your ZEROREZ franchise unless we agree in writing. In providing the services that we authorize, you may only use equipment, materials, supplies, uniforms, forms, and products specified and/or approved by us as meeting our standards and specifications. See Items 8, 9 and 11 for details. We have the right to change our System as we deem appropriate, and you must operate your franchise in compliance with our System. We have the right to add additional services to the Franchise System and to require you to offer them, without limitation.

You will only be allowed to accept jobs outside your exclusive operating territory if the location of the job is not within any exclusive operating territory owned by the Company or by any other ZEROREZ franchisee. If you receive a request for services outside your operating territory, you will be required to refer the request for services to the ZEROREZ franchisee of the exclusive operating territory in which the service is requested. If the request for services is for services outside any

operating territory belonging to the Company or to any other ZEROREZ franchisee, then you may accept the job, even if the job is outside your exclusive operating territory.

ITEM 17. Renewal, Termination, Transfer, and Dispute Resolution

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Term of the franchise	Section 1.2	10 years from date of Franchise Agreement
b. Renewal or extension of term	Section 1.2	You may renew at the end of any then current term for an additional 10 year term without paying a fee
c. Requirement for you to extend or renew	Section 1.2	Compliance with Franchise Agreement during entire term, provide written notice of intent to renew, and sign new agreement
d. Termination by you	Section 13.2	If we fail to comply with any substantial term of the Franchise Agreement and fail to cure the breach within 30 days of your written notice of the breach.
e. Termination by ZEROREZ without cause	None	
f. Termination by ZEROREZ with cause	Sections 13.4, 13.5 and 13.6	We can terminate only if you fail to pay any sum due to us or to comply with your obligations under the Franchise Agreement.
g. "Cause" defined - defaults which can be cured	Section 13.6	You have 30 days to cure non-payment of sums due us, other operational deficiencies.
h. "Cause" defined - defaults which cannot be cured	Section 13.5	Non-curable defaults: improper assignment of the Franchise Agreement, cessation of operation of business, commission of fraud or misrepresentation, making of false statements.
i. Your obligations on termination/non-renewal	Section 14	Cessation of use of ZEROREZ system, confidential information, and Marks, return all manuals and advertising materials, cessation of use of all telephone lines including classified or yellow pages advertising associated with the telephone numbers, cessation of use of radio or television advertising and assignment to ZEROREZ of rights to that advertising, payment of all sums owed to us and/or to local advertising cooperative(s), return water machine, sell us your inventory upon our request.
j. Assignment of contract by ZEROREZ	Section 12.7	There is no restriction on our right to assign.
k. Transfer by you	Section 12.1	Includes transfer of contract, stock, partnership interest, or other interest in franchise and any pledge or mortgage of the Franchise Agreement.
l. ZEROREZ's approval of transfer by you	Section 12.1	ZEROREZ has the right to qualify all prospective transferees.

m. Conditions for ZEROREZ's approval of transfer	Section 12.3	Your franchise is open and operating, you have paid all your obligations to us, your creditors and government agencies, you are not in default under the Franchise Agreement, new franchisee qualifies and completes training, then current agreement signed by new franchisee, transfer fee paid, general release executed (see n. and r. below).
n. ZEROREZ's right of first refusal to acquire your business	Section 12.2	ZEROREZ can match any offer for your business.
o. ZEROREZ's option to purchase your business	None	
p. Your death or disability	Section 12.6	Franchise must be transferred by estate to approved buyer within 12 months.
q. Non-competition covenants during the term of the franchise	Section 8.2	No involvement in any competitive business.
r. Non-competition covenants after the franchise expires	Section 8.2	No involvement in any competitive business in the licensed territory for a period of 18 months; no competing services to be provided to customers for 18 months
s. Modification of the agreement	Section 15.4	No modifications generally unless in writing signed by both parties, but ZEROREZ System and Operations Manual subject to change by ZEROREZ in our sole discretion.
t. Integration/merger clause	Section 15.4	Only the terms of the Franchise Agreement are binding. Any other promises or representations are enforceable.
u. Dispute resolution by arbitration or mediation	Section 15.10	Arbitration is mandatory and except for certain claims must be conducted in Utah.
v. Choice of forum	Section 15.9	Litigation must be filed in Utah.
w. Choice of law	Section 15.9	Utah law applies.

ITEM 18. PUBLIC FIGURES

We currently do not use any public figures to promote our franchise.

ITEM 19. EARNINGS CLAIMS

ZEROREZ does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits for a ZEROREZ franchise. Actual results vary from franchise to franchise and ZEROREZ cannot estimate the results of any particular franchise.

ITEM 20. LIST OF OUTLETS

Franchised Store Status Summary for Years 2004/2003/2002*

STATE	TRANSFER	CANCELLED OR TERMINATED BY COMPANY	NOT RENEWED	REACQUIRED BY COMPANY	LEFT THE SYSTEM FOR OTHER REASONS	TOTAL FROM LEFT COLUMNS	FRANCHISED STORES OPERATING AT END OF YEAR
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
California	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/0/0
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Florida	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/0/0
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Oklahoma	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Washington	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
TOTALS	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

* Figures are as of December 31 for each year.

Status of Company – or Affiliate – Owned Stores for Years 2004/2003/2002*

STATE	STORES CLOSED DURING YEAR	STORES OPENED DURING YEAR	TOTAL STORES OPERATING AT YEAR-END
None			
Total	0/0/0	0/0/0	0/0/0

* Figures are as of December 31 for each year.

A list of all franchised and affiliate-owned Stores is attached as Exhibit E.

Projected Openings For One-Year Period as of January 1, 2005

STATE	FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPEN	PROJECTED FRANCHISED NEW STORES IN THE NEXT YEAR	PROJECTED COMPANY OWNED OR AFFILIATE OWNED OPENINGS IN NEXT YEAR
TOTAL	0	0	0

ITEM 21. Financial Statements

The following financial statements for the Franchisor are attached as Exhibit E to this Offering Circular:

Audited balance sheets for fiscal years ended December 31, 2004 and 2003
Audited Statements of Operations for fiscal years ended December 31, 2004 and 2003
Audited Statements of Cash Flows for fiscal years ended December 31, 2004 and 2003

ITEM 22. Contracts

Exhibit B of this Offering Circular is the ZEROREZ Franchise Agreement, including the applicable Schedules. Exhibit F is the Promissory Note. Exhibit G is the Confidentiality Agreement.

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ITEM 23. Acknowledgement of Receipt

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF ZEROREZ OFFERS YOU A FRANCHISE, ZEROREZ MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR**
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR**
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO ZEROREZ.**

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF ZEROREZ DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED IN EXHIBIT A.

I have received an Offering Circular dated _____, 200__. If this Offering Circular is registered in a state requiring registration, the effective date of this Offering Circular is disclosed in the addendum for that state attached as Exhibit E to this Offering Circular.

This Offering Circular includes the following exhibits:

Exhibit A	State Agencies
Exhibit B	Franchise Agreement
Exhibit C	Required Equipment
Exhibit D	Initial Supplies Inventory Package
Exhibit E	Financial Statements
Exhibit F	Promissory Note (not applicable in California)

Franchisee Signature

Print Name

Date

Franchisee Signature

Print Name

Date

Please sign the Receipt Page located at the end of this Offering Circular and return it to ZEROREZ Franchising Systems, Inc. Thank you.

UNIFORM FRANCHISE REGISTRATION APPLICATION

FEE: _____