

**EXHIBIT 1**

**FRANCHISE AGREEMENT**

**AND RELATED MATERIALS**

**CANNON HYGIENE FRANCHISING (USA) INC.**  
**FRANCHISE AGREEMENT**

# **CANNON HYGIENE FRANCHISING (USA) INC.**

## **FRANCHISE AGREEMENT**

### **TABLE OF CONTENTS**

<b>1. INTRODUCTION .....</b>	<b>1</b>
<b>2. GRANT OF FRANCHISE AND LICENSE .....</b>	<b>2</b>
<b>3. TERRITORY .....</b>	<b>2</b>
<b>4. TERM AND RENEWAL .....</b>	<b>3</b>
<b>5. INITIAL FRANCHISE FEE .....</b>	<b>4</b>
<b>6. THE PREMISES .....</b>	<b>4</b>
<b>7. DUTIES OF FRANCHISOR .....</b>	<b>5</b>
<b>8. DUTIES OF FRANCHISEE .....</b>	<b>10</b>
<b>9. INSURANCE .....</b>	<b>20</b>
<b>10. ADVERTISING .....</b>	<b>22</b>
<b>11. RECORDS AND REPORTING REQUIREMENTS .....</b>	<b>24</b>
<b>12. PAYMENTS TO FRANCHISOR .....</b>	<b>24</b>
<b>13. CONFIDENTIAL INFORMATION .....</b>	<b>27</b>
<b>14. COVENANTS NOT TO COMPETE .....</b>	<b>28</b>
<b>15. FORM AND MANNER OF RENEWAL; CONDITIONS TO RENEWAL .....</b>	<b>30</b>
<b>16. ASSIGNMENT; RIGHT OF FIRST REFUSAL .....</b>	<b>31</b>
<b>17. INTELLECTUAL PROPERTY .....</b>	<b>36</b>
<b>18. RELATIONSHIP OF THE PARTIES .....</b>	<b>39</b>
<b>19. DEFAULT AND TERMINATION .....</b>	<b>40</b>
<b>20. FURTHER OBLIGATIONS AND RIGHTS     OF THE PARTIES ON TERMINATION OR EXPIRATION .....</b>	<b>43</b>
<b>21. WAIVER AND DELAY .....</b>	<b>45</b>
<b>22. FRANCHISOR'S WITHHOLDING OF CONSENT –     FRANCHISEE'S EXCLUSIVE REMEDY .....</b>	<b>45</b>
<b>23. INJUNCTION .....</b>	<b>45</b>
<b>24. INTEGRATION OF AGREEMENT .....</b>	<b>45</b>

<b>25. NOTICES .....</b>	<b>46</b>
<b>26. MISCELLANEOUS .....</b>	<b>47</b>
<b>27. COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; VENUE .....</b>	<b>48</b>
<b>28. EXECUTION OF GUARANTEE .....</b>	<b>48</b>
<b>29. SURVIVAL .....</b>	<b>49</b>
<b>30. ACKNOWLEDGMENTS .....</b>	<b>49</b>
<b>31. SUBMISSION OF AGREEMENT .....</b>	<b>50</b>
<b>EXHIBIT A - FRANCHISED TERRITORY; PREMISES LOCATION; ANNUAL MINIMUM UNIT REQUIREMENT</b>	
<b>EXHIBIT B - CONFIDENTIALITY/NON-COMPETITION AGREEMENT</b>	
<b>EXHIBIT C - GUARANTEE</b>	
<b>EXHIBIT D - PRINCIPAL SHAREHOLDER'S UNDERTAKING</b>	
<b>EXHIBIT E - GENERAL RELEASE - RENEWAL</b>	
<b>EXHIBIT F - GENERAL RELEASE - ASSIGNMENT</b>	
<b>EXHIBIT G - SOFTWARE LICENSE AGREEMENT</b>	

# CANNON HYGIENE FRANCHISING (USA) INC.

## FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, between CANNON HYGIENE FRANCHISING (USA) INC., a Delaware corporation with its principal office at 1600 Shore Road, Suite A, Naperville, Illinois 60563 ("Cannon," "Franchisor" or the "Company") and \_\_\_\_\_, whose principal address is \_\_\_\_\_ ("Franchisee").

### 1. INTRODUCTION

#### 1.1 The Cannon Hygiene Businesses and System

As a result of the expenditure of time, skill, effort and money, Franchisor and its affiliates have developed a proprietary system for developing, opening and operating businesses ("Cannon Hygiene Businesses") specializing in the offer and sale of personal hygiene services through the installation and routine servicing of disposal units for the safe, hygienic and discreet disposal of sanitary napkins, tampons, babies' diapers and incontinence waste and related services and products (the "Cannon Hygiene System" or the "System").

The Cannon Hygiene System includes (without limitation) services, methods, procedures, systems and techniques for the installation and servicing of disposal units for the safe, hygienic and discreet disposal sanitary napkins, tampons, babies' diapers and incontinence waste; proprietary disposal units (the "Units"); a fluid used to fill and refill the Units (the "Cannon GRASafe Fluid"); specifications and standards for equipment, chemicals, related products, materials and supplies; sales, marketing and advertising methods; and, business and reporting forms. Franchisor continues to expend time, skill and money to investigate new or substitute procedures, systems, services, products, programs and activities and, if Franchisor deems it desirable, to develop and integrate them into the System.

#### 1.2 The Intellectual Property

Franchisor owns or is licensed to use the trademark, service mark, trade name and logotype "CANNON HYGIENE" (the "Proprietary Mark") and various copyrights which are associated with the operation of an authentic Cannon Hygiene Business; constitute an integral part of the Cannon Hygiene System; and, are licensed to Franchisee under this Agreement (the Proprietary Mark, such copyrights and any patents which in the future may constitute part of the Cannon Hygiene System and be licensed to Franchisee hereunder referred to collectively as the "Intellectual Property"). Franchisor continues to develop, use and control the use of the Proprietary Mark and other Intellectual Property in order to identify for the public the source of services and products marketed under the Proprietary Mark and in association with the other Intellectual Property and to represent the high standard of quality associated with these services and products.

#### 1.3 The Franchise

Franchisee desires to obtain a franchise to operate one Cannon Hygiene Business under the Proprietary Mark and the Cannon Hygiene System in the Territory described in Section 3.1 below. Franchisor desires to grant to Franchisee a franchise on the terms and subject to the conditions of this Agreement.

Initials: Franchisor \_\_\_\_\_ Franchisee \_\_\_\_\_

## **2. GRANT OF FRANCHISE AND LICENSE**

### **2.1 Grant of Franchise**

Franchisor grants to Franchisee, and Franchisee accepts, the right to operate one Cannon Hygiene Business (the "Business"), subject to the terms and provisions of this Agreement and all related agreements. Franchisor also grants to Franchisee the right to use the Cannon Hygiene System, as Franchisor may change, improve, modify or further develop it from time to time. The grant of rights under this Agreement is limited to the Territory specified in Section 3.1 of this Agreement.

### **2.2 Grant of License to Proprietary Mark and Other Intellectual Property**

Franchisor grants to Franchisee, and Franchisee accepts, a non-exclusive license to use and display the Proprietary Mark "CANNON HYGIENE" and to use Franchisor's other Intellectual Property, subject to the terms and provisions of this Agreement and all related agreements. This license applies solely to the operation of the franchised Business and the services and products offered and sold at and from the Business. This license is limited to the Territory specified in Section 3.1 of this Agreement.

## **3. TERRITORY**

### **3.1 Territorial Grant**

Franchisee's right to establish and operate a Cannon Hygiene Business is restricted to the geographic area (the "Territory") described in Exhibit A by a map or written description. Franchisee may operate its Cannon Hygiene Business from only one Premises situated within the Territory. "Premises" means the location selected by Franchisee and approved by Franchisor from which Franchisee shall operate its franchised Business continuously and without interruption throughout the term of this Agreement.

### **3.2 Franchisor Restrictions**

Within the Territory, Franchisor and its affiliates, subsidiaries and designees (together, the "Affiliates") will not operate a Company-owned business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business, so long as Franchisee is not in default under this Agreement and all other related agreements, and except as provided in Section 3.4 ("Rights Reserved By Franchisor"). Franchisee acknowledges, however, that this Agreement confers no marketing exclusivity in the Territory on Franchisee, and that all Cannon Hygiene Businesses (whether Company-owned, Company joint-ventured, franchised or otherwise) may solicit, service, advertise and offer their services and products to any individual or entity, regardless of its or its geographic location, including Franchisee's Territory.

### **3.3 Franchisee Restrictions**

Franchisee may only engage in the retail sale of Cannon Hygiene System services. Franchisee is prohibited from engaging in the wholesale sale or distribution of the Cannon GRASafe Fluid, the Units or any service, product, chemical, equipment or other component which is now or in the future part of the Cannon Hygiene System, or any related product or service. "Retail sale" means any sale by Franchisee directly to an ultimate consumer. "Wholesale sale or distribution" means any sale or distribution by Franchisee to a third party for resale, retail sale, or further distribution. "Component" means any constituent part, ingredient, element, segment or derivative.

### **3.4 Rights Reserved By Franchisors**

Franchisee agrees that Franchisor and its Affiliates have the right, now or in the future:

- A. To own, operate and situate (outright, through contract, joint-ventures or otherwise) Cannon Hygiene Businesses outside the Territory as they consider appropriate.
- B. To grant franchises and/or licenses for the operation of Cannon Hygiene Businesses outside the Territory as they consider appropriate.
- C. To offer and sell services and products within the Territory that are not part of the Cannon Hygiene System through any distribution method, exploiting their Proprietary Mark, other Intellectual Property, name, reputation and know-how.
- D. To purchase, merge, acquire or affiliate with an existing chain providing disposal services for sanitary napkins, tampons, babies' diapers and/or incontinence waste; an existing personal hygiene services chain; or, any other business regardless of the location of its facilities, and to operate, franchise or license those facilities as Cannon Hygiene Businesses operating under the Proprietary Mark or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which may be proximate to Franchisee's Premises Location.
- E. On the termination or expiration of this Agreement, to offer and sell within the Territory (either themselves or through franchisees) those services and products which this Agreement contemplates Franchisee will offer and sell.
- F. Both within and outside the Territory, to offer and sell Cannon Hygiene System services and products at retail to National/Regional Accounts. "National/Regional Accounts" are retail customers such as customers such as large corporations, hospital chains, federal, state and local governmental agencies and any other customers not confined to Franchisee's Territory. Franchisor will give Franchisee the opportunity to service any outlets or locations of National/Regional Accounts in Franchisee's Territory at the price and on the terms agreed on between Franchisor and the National/Regional Account. If Franchisee does not desire to or cannot service a National/Regional Account for any reason, then Franchisor, its Affiliates or any other Cannon Hygiene franchisee may service the Account within Franchisee's Territory. The procedures governing Franchisor's National/Regional Accounts program are set forth in Franchisor's Manual.

## **4. TERM AND RENEWAL**

### **4.1 Initial Term**

The initial term ("Initial Term") of this Agreement will be five years, commencing on the date of execution of this Agreement by Franchisor, unless this Agreement is sooner terminated in accordance with its provisions.

### **4.2 Renewal Term**

Franchisee will have the right, but not the obligation, to enter into Renewal Franchise Agreements for one additional consecutive term of five years (the "Renewal Term"), if Franchisee has complied with the conditions and procedures for renewal set forth in Article 15 of this Agreement and

if Franchisor is franchising in this State (as defined below) at the time of renewal, and has not determined to cease doing so. The Renewal Term will begin on the date of the expiration of the Initial Term. Franchisor will be "franchising in this State" if Franchisor has, within the one year period before the expiration of the Initial Term, obtained, maintained, renewed or combined any required franchise registration in Franchisee's state of residence (or, if Franchisee is an entity, the state in which Franchisee's principal place of business is situated) or, if no franchise registration is required in Franchisee's state, if Franchisor has offered or sold franchises in Franchisee's state (as defined above) within this one year period. If Franchisor (or any successor of Franchisor) ceases franchising in this State, then upon expiration of this Agreement (but not upon termination for cause), neither Franchisor nor any successor to Franchisor will enforce the post-term covenant not to compete set forth in Section 14.1 of this Agreement.

## **5. INITIAL FRANCHISE FEE**

### **5.1 Initial Franchise Fee**

In consideration of the execution of this Agreement by Franchisor, Franchisee agrees to pay Franchisor an Initial Franchise Fee of \$5,000. The Initial Franchise Fee is payable in full upon the execution of this Agreement by Franchisee and will be fully earned when paid.

## **6. THE PREMISES**

### **6.1 Premises Location**

Franchisee may operate its franchised Cannon Hygiene Business only from its Premises Location. Franchisee may use the Premises Location for no other purpose than the operation of the franchised Business without Franchisor's prior written consent. If, at the time of execution of this Agreement, a Premises Location for the franchised Premises has been obtained by Franchisee and approved by Franchisor, then the Premises Location will be set forth on Exhibit A to this Agreement.

If, at the time of execution of this Agreement, a Premises Location for the franchised Premises has not been obtained by Franchisee and approved by Franchisor, then Franchisee agrees to use its best efforts to find an acceptable Premises Location within the Territory, using its own resources, skills and know-how. Franchisee further agrees to comply with all Franchisor's Premises specifications, requirements and restrictions in its Manual or otherwise. The Premises Location will be subject to Franchisor's prior written approval, and Franchisor's determination will be final.

If Franchisee is licensed to operate more than one franchised Cannon Hygiene Business, Franchisee may employ a single Premises for all its Businesses, so long as the Premises is within the Territory of one of its franchised Businesses and no more than one hour's driving time from the farthest boundary of each of its Territories.

### **6.2 Government Approvals, Consents and Licenses**

It will be Franchisee's sole responsibility to promptly seek and obtain all government and quasi-governmental approvals, consents and licenses required to open and operate the franchised Business. Franchisee undertakes to use all possible efforts to obtain all required approvals, consents and licenses. Franchisor makes no representation or warranty that Franchisee will be able to obtain all required approvals, consents and licenses. If Franchisee is unable to do so by the scheduled date of commencement of operations pursuant to Section 8.1, then either party will have the right to terminate this Agreement immediately upon notice to the other party. If either party terminates the Agreement for this reason, then (i) any funds paid by Franchisee to Franchisor will be deemed earned

by Franchisor, except that Franchisor will return to Franchisee 75% of the Initial Franchise Fee and of any Unit Fees paid to Franchisor by Franchisee (or 50% if Franchisor has furnished its Initial Training Program to Franchisee), and (ii) Franchisee will bear all costs of shipping any Units received from Franchisor to the location within the United States designated by Franchisor.

### **6.3 Relocation of the Franchised Business**

Franchisee may not relocate its Cannon Hygiene Premises to another location without first obtaining Franchisor's written approval for the new location. If Franchisee relocates the franchised Business subject to the terms of this Section 6.3, the new location will be the "Premises Location" of the franchised Business as that term is used in this Agreement. Any relocation will be at Franchisee's expense.

### **6.4 Leasehold Improvements, Fixtures and Equipment**

Franchisee agrees, at its expense, to make all leasehold improvements and install all fixtures and equipment at the Premises required to comply with Franchisor's current requirements and specifications. Franchisor will advise Franchisee concerning design plans. Unless otherwise provided in this Agreement, Franchisee may substitute manufacturers and suppliers and purchase the required fixtures and equipment from any source. Franchisor will advise Franchisee on equipment and suppliers.

### **6.5 Signs**

All exterior and interior signs used in connection with the franchised Business and any vehicles used in the operation of the franchised Business must conform to Franchisor's sign criteria as to type, color, size, design and location. All signs must be approved in writing by Franchisor before installation or display.

## **7. DUTIES OF FRANCHISOR**

### **7.1 Confidential Operating Manual**

Franchisor will lend Franchisee one copy of its confidential operating manual (the "Manual"), which may be in the form of looseleaf or bound volumes, written bulletins, notices, facsimiles, written notices or electronic communications. Franchisee agrees to operate its Business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed from time to time in the Manual.

Franchisor retains the right to prescribe additions to, deletions from or revisions of the Manual (the "Supplements to the Manual"), all of which will be deemed a part of the Manual. These will become binding on Franchisee as if originally set forth in the Manual, upon being delivered to Franchisee. Franchisee agrees to immediately adopt and use the services, products, programs, materials, standards, specifications, policies, methods, procedures and techniques set forth in modifications or Supplements to the Manual. The Manual and any additions, deletions, revisions or Supplements to the Manual will not materially alter Franchisee's rights and obligations under this Agreement.

The Manual may include (but need not be limited to, nor necessarily include all of) the following subjects: components, requirements, duties, standards, procedures, policies, systems, techniques, guidelines and specifications pertaining to the Cannon Hygiene System and to the operation of a franchised Cannon Hygiene Business; services, methods, procedures, systems and techniques for

the installation and servicing of the Units; utilization of the Cannon GRASafe Fluid; specifications and standards for equipment, chemicals, materials and supplies; sales, marketing and advertising methods; business and reporting forms; programs, procedures and guidelines; quality assurance programs; supervision systems; recordkeeping systems and materials; management and control systems; personnel qualifications; display of signs and notices; authorized or required equipment, chemicals, supplies, appliances and appurtenances; required uses of the Proprietary Mark and the other Intellectual Property; insurance requirements; license requirements; required attire; required manner of offering and selling the services, products and programs used in the Cannon Hygiene System; standards of maintenance and appearance; customer satisfaction; staff training requirements; training specifications; and, additions to, deletions from, modifications to and variations of the services, products, programs and other components constituting the Cannon Hygiene System, including standards and specifications related to the System.

Franchisee acknowledges that Franchisor is the owner of all proprietary rights in the Cannon Hygiene System, the Manual and all Supplements to the Manual. The Manual will at all times remain the property of Franchisor. Franchisee agrees that it, its agents, independent contractors, and employees will treat the Manual and the information contained in it as confidential. Franchisee shall return the Manual and all Supplements to the Manual to Franchisor, or at Franchisor's direction obliterate or destroy them.

## **7.2 Initial Training Program**

Before the opening of the franchised Business, Franchisor will offer and Franchisee's Business Manager (as defined in Section 8.6 below) will be required to attend and successfully complete an initial training program (the "Initial Training Program"). Franchisor will determine and notify Franchisee of the date of commencement, location and duration of the Initial Training Program, which will be conducted at a sites in the United States designated by Franchisor.

The cost for the Initial Training Program for Franchisee's personnel (including Franchisee's Business Manager) will be included in the Initial Franchise Fee. Franchisee agrees to pay all travel and transportation expenses incurred by its trainees and itself in connection with training, but Franchisor will pay for the meals, lodging and other living expenses of Franchisee's trainees.

Any Business Managers hired or appointed by Franchisee after the commencement of operation of the franchised Business must attend and successfully complete Franchisor's next scheduled Initial Training Program. Franchisee agrees to pay all travel and transportation expenses incurred by its trainees and itself in connection with training, but Franchisor will pay for the meals, lodging and other living expenses of Franchisee's trainees.

## **7.3 On-Site Training or Assistance**

Franchisee may request on-site training or assistance at any time in accordance with all guidelines Franchisor may specify in the Manual or otherwise. Franchisor will not be obligated to provide on-site training or assistance, but if it elects to do so, may impose a fee for each day of on-site training or assistance it agrees to provide.

## **7.4 On-Going Training**

Franchisor may from time to time conduct an annual conference, convention or training session. Franchisor will determine the duration, curriculum and location of these. Franchisee and its Business Manager shall attend each annual conference, convention or training session at which such attendance is required by Franchisor. Franchisee agrees to pay all travel and transportation expenses

incurred by its trainees and itself in connection with training, but Franchisor will pay for the meals, lodging and other living expenses of Franchisee's trainees.

## **7.5 Support Services**

Franchisor may furnish to Franchisee such support services as Franchisor alone considers advisable. Support services may include advice with respect to services, equipment, procedures, guidelines, systems, specifications or techniques pertaining to the operation of Franchisee's Cannon Hygiene Business. Franchisor's representatives may render support services on-site, off-site, by letter, telephone, e-mail or fax, or through other communication devices. The timing of all advice, consultation and training provided for in this Agreement will be subject to the availability of Franchisor's personnel.

## **7.6 Consultation Services**

If Franchisee so requests, Franchisor may offer Franchisee, for a fee, consultation services beyond the support services described in Section 7.5. Franchisor's representatives may render consultation services on-site, off-site, by letter, telephone, e-mail or fax, or through other communication devices, subject to scheduling availability. Consultation services may include specialized advice related to the operation of Franchisee's Cannon Hygiene Business; on-site reviews of Franchisee's operations and the furnishing or retraining as needed; on-site training of Franchisee's Business Manager and other personnel; and, other specialized assistance as may be requested by Franchisee. Franchisee agrees to pay Franchisor for any consultation services performed at Franchisee's request on the terms, at the times and in the amounts that Franchisor sets forth at the time of offer or sale, in its Manual or otherwise.

## **7.7 Supply of Units**

A. During the term of this Agreement, Franchisor agrees to supply Franchisee (directly, or through an Affiliate) with as many of the Units as Franchisee may from time to time request, of the type that Franchisee may from time to time request, subject to availability and the allocation provisions of Section 7.9 below. Franchisor will have the right from time to time during the term of this Agreement to change the specifications of either or both types of Units if it believes that the change will improve the performance, durability and/or appearance of the Unit(s) in question.

B. The following definitions concerning Units will apply to this Agreement: "Model A Units and Model B Units" are models of Units used for the disposal of sanitary napkins and tampons. "Model C Units" are Units used for the disposal of babies' diapers and incontinence waste. The "Use Period" of any Unit means the period between (i) the date of its deemed delivery (as provided below) and (ii) the fifth anniversary thereof or, if sooner, the date of expiration or termination of this Agreement. A Unit will be deemed delivered for the purpose of this Agreement on the first day of the calendar month following the calendar month during which it is actually delivered to Franchisee.

C. Franchisor will not be obligated to supply fewer than one hundred Units pursuant to any one request. Franchisor will have the right to disregard any request by Franchisee for fewer than one hundred Units and if Franchisor so disregards the request, the requested Units may not be included in calculating the number of Units actually requested by Franchisee for the purpose of Section 8.7("Obligations of Franchisee Concerning Units; Annual Minimum Unit Requirement").

D. Franchisee acknowledges and agrees that legal and beneficial ownership of the Units will at all times remain vested in Franchisor. Franchisor will have the right at any time or times, upon the occurrence of any event giving rise to the right of Franchisor to terminate this Agreement or upon

the expiration or termination of this Agreement for any reason, at Franchisor's option, either (i) to require Franchisee to return all Units to Franchisor at Franchisee's expense, or (ii) to require Franchisee to collect all Units previously supplied by Franchisor and store them upon the Premises, and for Franchisor's representative to have the right to subsequently to enter upon the Premises (or any other premises occupied or controlled by Franchisee) without notice, and to recover the Units therefrom. Franchisee agrees to procure an equivalent right in favor of Franchisor from all customers to whom it parts with possession of any Units.

E. Franchisor will deliver Units to Franchisee (directly, or through an Affiliate) F.O.B. the location within the United States which Franchisor designates (which designation Franchisor may change from time to time), and Franchisee will be responsible for the payment of all shipping charges from that point to Franchisee's delivery destination. Franchisor (or its Affiliate) arranges shipment of Units to Franchisee only as a gratuitous accommodation for the convenience of Franchisee. Franchisor (and such Affiliate) will have no duty or responsibility regarding the selection or actions of any carrier. Franchisee waives any possible claim against Franchisor (and such Affiliate) arising out of or related to the shipment of Units or the selection of any carrier.

F. Franchisee's exclusive remedy and Franchisor's (and its Affiliates') exclusive liability for any and all claims as to any Units delivered hereunder or for delayed delivery or non-delivery of any such Units, shall be limited to the shipment costs and/or duties, if any, paid by Franchisee with respect to such Units and, at Franchisor's option, the replacement of such Units at Franchisee's destination. In no event shall Franchisor (or its Affiliates) be liable for special, incidental, indirect or consequential damages, whether or not caused by or resulting from the negligence of Franchisor (or its Affiliate).

G. If Franchisee is in default under this Agreement, Franchisor (and its Affiliates) will have no obligation to supply any Units to Franchisee; Franchisee will not have any right to offer or sell Cannon Hygiene services and products; and, Franchisee will not, as a result, have a defense at law or equity based on impossibility of Franchisee's performance or any claim against Franchisor (or its Affiliates).

## **7.8 Sale of Cannon GRASafe Fluid**

A. Franchisor will sell to Franchisee, and Franchisee will be required to purchase the Cannon GRASafe Fluid from Franchisor. The chemical formula of Franchisor's Cannon GRASafe Fluid is proprietary to Franchisor's designated manufacturer and constitutes a trade secret known only to such manufacturer, Franchisor and Franchisor's Affiliates, to whom the formula has been imparted under conditions and obligations of secrecy and confidence. Franchisee may use no other fluid in connection with the Units at any time during the term of this Agreement. Franchisee agrees to pay Franchisor for the Cannon GRASafe Fluid at the price that Franchisor sets forth at the time of sale, in its Manual or otherwise. Franchisor's prices will be subject to change at any time upon written notice to Franchisee; provided however, that Franchisor will the prices in effect on the date of commencement of operations of the franchised Business for the first for six months following the commencement of operations of the Business. Franchisor agrees to sell the Cannon GRASafe Fluid to Franchisee at the same price as paid by other U.S. franchisees of Franchisor who are similarly situated. Franchisee will bear the shipping costs and all other applicable taxes and duties for all Cannon GRASafe Fluid purchased from Franchisor.

B. Franchisee shall transmit payment for Cannon GRASafe Fluid within thirty days after it clears customs at its place of importation in the United States,; provided, however, that Franchisor will have the right to demand payment in full for the Cannon GRASafe Fluid (including, if Franchisor elects to arrange for shipment, estimated shipping charges and applicable taxes) at the time

Franchisee places an order and before the Cannon GRASafe Fluid is loaded for shipment. Payment for all Cannon GRASafe Fluid shall be made in U.S. Dollars by (at Franchisor's option) check or bankers draft payable to Franchisor or by wire transfer or other form of electronic transfer to the Franchisor's designated bank account.

D. Franchisor will have no responsibility concerning shipment of Cannon GRASafe Fluid to Franchisee. Franchisor will sell Franchisee all Cannon GRASafe Fluid F.O.B. the location within the United States which Franchisor designates (which designation Franchisor may change from time to time). If Franchisor arranges shipment of Cannon GRASafe Fluid to Franchisee, Franchisor will do so only as a gratuitous accommodation for the convenience of Franchisee. Franchisor will have no duty or responsibility regarding the selection or actions of any carrier. Franchisee waives any possible claim against Franchisor (or its Affiliates) arising out of or related to the shipment of Cannon GRASafe Fluid or the selection of any carrier.

E. Franchisee's exclusive remedy and Franchisor's (and its Affiliates') exclusive liability for any and all claims as to Cannon GRASafe Fluid delivered under this Agreement or for delayed delivery or non-delivery of the Cannon GRASafe Fluid will be limited to the purchase price of the Cannon GRASafe Fluid (plus shipment costs, if any, paid by Franchisee for the Cannon GRASafe Fluid) or, at Franchisor's option, the replacement of the Cannon GRASafe Fluid shipped to Franchisee's Cannon Hygiene Business. Franchisor (and its Affiliates) will not be liable for special, incidental, indirect or consequential damages, whether or not caused by or resulting from negligence.

F. If Franchisee is in default under this Agreement, Franchisor will have no obligation to sell any Cannon GRASafe Fluid or non-proprietary products, equipment or services to Franchisee; Franchisee will not have any right to offer or sell Cannon Hygiene services and products; and, Franchisee will not, as a result, have a defense at law or equity based on impossibility of Franchisee's performance or any claim against Franchisor.

#### **7.9 Allocation of Units and Cannon GRASafe Fluid**

Franchisor will exert reasonable efforts to fulfill Franchisee's requests for Units and Cannon GRASafe Fluid ordered by Franchisee pursuant to this Agreement on a timely basis. In the event that Franchisor (or its suppliers) are unable to supply Franchisor's clientele (including Franchisee and other Cannon Hygiene franchisees) with the quantity and type of Units or Cannon GRASafe Fluid which such businesses request, as a result of strikes, lockouts or other industrial action; refusal of Franchisor's or its supplier's employees to load, check or otherwise deal with Units or Cannon GRASafe Fluid; accidents to, or breakdowns of, plant machinery or equipment of Franchisor's suppliers; embargoes; fire; wind; earthquake; flooding; riots; civil disorders; national emergencies; any act of God; non-availability of supplies or raw materials; any third party supplier's act, error, omission or failure to produce; delays of suppliers or carriers; governmental actions, regulations, restrictions, prohibitions, or allocations; or, any cause beyond the control of Franchisor or such supplier, then Franchisor in its sole and exclusive judgment shall allocate the available respective quantities and types thereof on an equitable basis among the respective businesses ordering Units and/or Cannon GRASafe Fluid. In the event that Franchisee does not receive Units or Cannon GRASafe Fluid from Franchisor or suppliers because of any of the reasons set forth above, the same shall not be deemed a breach by Franchisor of the terms of this Agreement, nor shall Franchisor (or any of its suppliers or Affiliates) be liable to Franchisee therefor (whether for lost opportunity, lost profits or otherwise).

#### **7.10 Pricing**

To enhance the interbrand competitiveness of the Cannon Hygiene System; to enable competitive and system-wide "price point" advertising; and, to benefit Cannon Hygiene customers,

Franchisor may, at its sole option, from time to time establish maximum prices above which Franchisee's Cannon Hygiene Business may not offer and sell products and/or services under this Agreement (and Franchisor shall likewise have the right from time to time to revise or eliminate any such maximum prices at its sole option). Franchisee shall adhere to any such maximum price requirement imposed by Franchisor. Franchisor may, at its sole option, advertise specific products or services as for sale throughout the Cannon Hygiene System at such maximum prices "or less". Under no circumstances, however, will Franchisor establish or advertise any minimum prices below which Franchisee may not offer or sell its products or services.

In addition, or alternatively, Franchisor may from time to time suggest prices for products or services offered and sold by Franchisee's Cannon Hygiene Business. Franchisor and Franchisee agree that any list or schedule of such prices suggested by Franchisor will be recommendations only and not be mandatory on Franchisee unless Franchisor expressly labels any or all of such prices as a maximum price (as provided above). Franchisee understands and agrees that Franchisor's suggested or maximum prices, fees, markups or margins may or may not increase or optimize the revenues or profitability of the franchised Business.

Franchisee agrees to inform Franchisor of all prices charged for services and products sold by Franchisee and promptly inform Franchisor of any new prices it establishes. Franchisee agrees to research the prices charged by competitors in the Territory from time to time pursuant to instructions in Franchisor's Manual, and to provide this information to Franchisor.

#### **7.11 Nature of Obligations**

All Franchisor's obligations under this Agreement are to Franchisee alone. No other party is entitled to rely on, enforce or obtain relief for breach of any of Franchisor's obligations hereunder, either directly or by subrogation.

#### **7.12 Unavoidable Delay or Failure to Perform**

Any delay in Franchisor's performance of any duties under this Agreement or non-performance of its duties that is not the fault of Franchisor or within its reasonable control (including, but not limited to, fire, flood, natural disasters, Acts of God, delays or defaults in deliveries by common carriers and/or the United States Postal Service, governmental acts or orders, late deliveries or non-deliveries of goods or non-furnishing of services by third party vendors, strikes, civil disorders or war) will not cause a default under this Agreement. Franchisee agrees to extend the time of performance for the period of the delay or for any longer reasonable period of time Franchisee agrees to in writing. If performance has become impossible through no fault of Franchisor or due to causes not within Franchisor's reasonable control, then Franchisor's non-performance of its duties will not constitute a breach by Franchisor of the terms of this Agreement.

### **8. DUTIES OF FRANCHISEE**

#### **8.1 Commencement of Operations**

Franchisee agrees to commence the operation of its franchised Cannon Hygiene Business no later than six months following execution of this Agreement by Franchisor. "Commencement of operations of the franchised Business" means the first day that Franchisee receives any revenues directly or indirectly to the franchised Cannon Hygiene Business, offers any services or products for sale thereat or therefrom, or conducts any of the activities contemplated by this Agreement, whichever comes first. Before commencing operations, Franchisee agrees to fulfill all the pre-opening obligations called for by this Agreement. Franchisee will be excused from the timely performance of its obligations

under this Section 8.1 only as a result of delays due to causes beyond Franchisee's control, such as strikes, material shortages, fires, and other causes which Franchisee could not have avoided by the exercise of due diligence.

## **8.2 Manner of Operation**

Franchisee acknowledges that every component of the Cannon Hygiene System is vital to Franchisor, to other Cannon Hygiene franchisees and to the operation of the franchised Business. Franchisee further acknowledges that its compliance with the Cannon Hygiene System is of the essence to this Agreement. Franchisee therefore agrees to conduct the activities and operations of its Cannon Hygiene Business at all times in compliance with the Cannon Hygiene System, including all standards, procedures and policies Franchisor from time to time establishes (in its Manual or otherwise), as though specifically set forth in this Agreement. Franchisee agrees to offer and sell to the public all services, products and programs, and disseminate to the public all promotional and other materials, which are specified by Franchisor and part of the Cannon Hygiene System.

## **8.3 Maintenance and Repair**

At all times during the term of this Agreement, Franchisee agrees, at its reasonable expense, to maintain the interior and exterior of its Cannon Hygiene Premises, and to keep and maintain all equipment, furniture, decorating, signs and appurtenances in or at the franchised Premises in the highest degree of cleanliness, maintenance, condition and repair. Franchisee will not be required to expend any unreasonably excessive amount to comply with the provisions of this Section 8.3.

## **8.4 Modifications to the Cannon Hygiene System**

Franchisee understands and agrees that the Cannon Hygiene System must not remain static if it is to meet presently unforeseen changes in technology, competitive circumstances and customer needs and to best serve the interests of Franchisor, Franchisee and the Cannon Hygiene System. Franchisee therefore agrees that Franchisor may from time to time change the components of the Cannon Hygiene System, including, but not limited to, altering the services, products, programs, methods, standards, forms, policies and procedures of the System; adding to, deleting from or modifying those services, products and programs which Franchisee's Business is authorized to offer; and, changing, improving, modifying, adding to or deleting from the Proprietary Mark and/or other Intellectual Property. Subject to the other provisions of this Agreement, Franchisee agrees to abide by any of these modifications, changes, additions, deletions and alterations, so long as the changes do not materially and unreasonably increase Franchisee's obligations under this Agreement.

## **8.5 Compliance with Laws, Rules and Regulations**

Franchisee agrees to operate the franchised Business in strict compliance with all applicable laws, rules and regulations of all governmental authorities; comply with all applicable wage, hour and other laws and regulations of federal, state and local governments; prepare and file all necessary tax returns; pay all taxes imposed on Franchisee related to the franchised Business; and, obtain and keep in good standing all necessary licenses, permits and other required forms of governmental approval required of Franchisee to offer and sell the services and products which now or in the future are part of the Cannon Hygiene System. Franchisee agrees that it will be responsible for compliance with all applicable laws, rules and regulations, including, without limitation, the Americans with Disabilities Act.

## **8.6 Franchisee Participation in Operation of Business; Business Manager**

A. Franchisee agrees to personally and directly supervise the operation of the franchised Business, unless otherwise permitted in writing by Franchisor. Franchisee agrees to devote the amount of its time, attention and best efforts to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the franchised Business. Franchisee's failure to do so will constitute a material and incurable breach of this Agreement which, unless waived by Franchisor, will entitle Franchisor to terminate this Agreement immediately upon notice to Franchisee, with no opportunity to cure.

If Franchisee is licensed to operate more than one Cannon Hygiene Business, Franchisee agrees to devote the amount of its time and attention to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Businesses.

If Franchisee is a corporation, then Franchisee's "Principal Shareholder," defined as the shareholder owning a registered holding of, and the beneficial ownership in, at least 51% of the shares of Franchisee, shall execute an Undertaking concerning ownership and control of Franchisee in the form of Exhibit D to this Agreement.

B. If Franchisee is an individual, Franchisee shall designate or serve as a Business Manager. If Franchisee is an entity, then Franchisee shall designate a Business Manager. Franchisee shall inform Franchisor in writing as to the identity of its Business Manager and any successor Business Managers. Franchisee's Business Manager will have day-to-day management responsibility for the franchised Business, exercise on-premises supervision and personally participate in the direct operation of the franchised Business. Each Business Manager must complete to Franchisor's satisfaction the Initial Training Program, under the terms and conditions specified in Section 7.2.

Upon the death, disability or termination of employment of Franchisee's designated Business Manager, Franchisee agrees immediately to notify Franchisor. Franchisee agrees to designate a successor or acting Business Manager no later than ten days following the death, disability or termination of the predecessor Business Manager. Each successor Business Manager must attend and successfully complete Franchisor's next scheduled Initial Training Program and complete any other reasonable training at the times Franchisor specifies, under the terms and conditions specified in Section 7.2. If Franchisee does not employ and train a successor Business Manager, this will constitute a material breach of this Agreement, which, unless cured by Franchisee as provided in Section 19.3, will result in this Agreement being terminated immediately.

## **8.7 Obligations of Franchisee Concerning Units; Annual Minimum Unit Requirement**

A. As Section 7.7 provides, Franchisor will supply Franchisee with Units (subject to availability and the allocation provisions of Section 7.9), but legal and beneficial ownership of the Units will at all times remain vested in Franchisor. Franchisee shall hold all Units as bailee and shall not deal with them, or do, cause or permit anything to be done with them, whereby the rights of Franchisor as owner are or may be prejudicially affected. Franchisee shall part with possession of the Units only to bona fide customers of the franchised Business in the ordinary course of such Business. Franchisee shall use the Units in its Business by supplying them to its customers as part of the services it supplies to such customers, and for no other purpose whatsoever. Franchisee shall use the Units only for the purposes contemplated by this Agreement, and shall not alter or interfere with them in any way. Franchisee shall maintain the Units in good condition until returned to Franchisor (subject to reasonable allowance for wear and tear).

B. Franchisee agrees to draw to its customers' attention the fact that the Units are and will remain the property of Franchisor. Franchisee further agrees to give, or require its customers to give, notice to the owner of and all other persons having any interest in each property at which a Unit is installed, used or stored, that the Unit in question is the property of Franchisor. Franchisee shall not remove or obliterate, or allow to be removed or obliterated, any label, plate or sign attached or applied to any Unit by Franchisor to indicate Franchisor's ownership of the Unit.

C. Franchisee agrees to request Franchisor to supply the minimum quantity of Units set forth on Exhibit A to this Agreement during the twelve months commencing upon the scheduled commencement of operations of the franchised Business as provided in Section 8.1 (the "Scheduled Commencement Date"). In each period of twelve months following the anniversary of the Scheduled Commencement Date (each, an "Anniversary Year"), Franchisee shall not maintain fewer than the applicable minimum number of Units set forth on Exhibit A (including Units on Franchisee's Premises and installed at a customer's premises) at any time during the Anniversary Year in question. Franchisee may satisfy the Annual Minimum Unit Requirement with any type or combination of types of Units. Failure by Franchisee to satisfy the Annual Minimum Unit Requirement for any Anniversary Year will constitute a material and incurable breach of this Agreement which, unless waived by Franchisor, will entitle Franchisor to terminate this Agreement immediately on notice to Franchisee, with no opportunity to cure.

D. Franchisee shall retain all Units which it obtains from Franchisor for their Use Period and no longer. As Section 7.7 (B) provides, the "Use Period" of any Unit means the period between (i) the date of its deemed delivery (as provided below) and (ii) the fifth anniversary thereof or, if sooner, the date expiration or termination of this Agreement. A Unit will be deemed delivered for the purposes of this Agreement on the first day of the calendar month during which it is actually delivered to Franchisee. Unless the parties otherwise agree, on the expiration of the Use Period for each Unit, Franchisee shall ship the Unit back to Franchisor's headquarters. Franchisee will bear the costs of shipment and any associated duties.

## **8.8 Requirements Concerning Products and Services**

### **A. *Sources of Supply and Specifications for Non-Proprietary Products, Services and Equipment***

As Section 7.8 sets forth in full, Franchisee will be required to purchase the Cannon GRASafe Fluid from Franchisor. As detailed in Franchisor's Manual, Franchisee must purchase certain other supplies, equipment, materials and services required for the operation of the franchised Business from suppliers designated in writing by Franchisor; from suppliers selected by Franchisee and approved by Franchisor; and/or, in accordance with Franchisor's written specifications.

Franchisor agrees to exercise its approval of suppliers reasonably, in accordance with the following procedure:

1. Franchisee shall submit a written request to Franchisor for approval of the supplier;
2. The supplier must demonstrate to Franchisor's reasonable satisfaction that it is able to supply a product or service to Franchisee meeting Franchisor's specifications; and,
3. The supplier must demonstrate to Franchisor's reasonable satisfaction that the supplier is in good standing in the business community with respect to its financial soundness and the reliability of its product or service.

Franchisor reserves the right to test, analyze, inspect or randomly sample the product or service of any Franchisee-proposed supplier at Franchisee's expense, whether or not Franchisor approves or rejects the supplier. Franchisor agrees to give Franchisee notice of its approval or disapproval within a reasonable time. If Franchisor revokes approval of a supplier, it will give Franchisee written notice.

Franchisor may from time to time provide Franchisee with specifications governing the minimum standards of non-proprietary products, services or equipment procured by Franchisee from a third party (that is, from any party other than Franchisor or its Affiliates, or the designees of either), in Franchisor's Manual or in other written notices transmitted to Franchisee. Franchisor may modify its specifications in writing from time to time.

Franchisor may offer and sell to Franchisee any non-proprietary products and services required to be purchased by Franchisee at the prices as Franchisor determines and sets forth at the time of sale, in its Manual or otherwise. Franchisor reserves the right to earn a profit from the sale to Franchisee of non-proprietary services and goods. Franchisee will be under no obligation to purchase any non-proprietary services or goods from Franchisor.

**B. Services Offered and Sold by Franchisee**

Franchisee agrees to offer and sell all services which are part of the Cannon Hygiene System. Franchisee is currently required to offer and sell the following Cannon Hygiene services, in compliance with the methods, procedures and techniques required by Franchisor (in its Manual or otherwise):

1. The supply of Franchisor's sanitary disposal Units, rendered hygienic through the use of Franchisor's Cannon GRASafe Fluid, and
2. The regular exchange of such Units with empty replacement Units stringently cleaned and processed for re-use by Franchisee.

In addition to the foregoing, Franchisee shall offer and sell all other services which Franchisor in the future incorporates into the Cannon Hygiene System, and shall cease to offer and sell any services which Franchisor deletes from the System. Franchisee is prohibited from offering or selling any service, product or program which is not a part of the Cannon Hygiene System or is hereafter deleted from the System. Franchisee may not use the Cannon Hygiene name, the Proprietary Mark or the other Intellectual Property for the benefit of any business other than the franchised Business. Franchisee may not conduct (or permit the conducting of) any business other than the business contemplated by this Agreement at or from the Premises without Franchisor's prior written consent, which Franchisor may withhold for any reason or for no reason.

Without limited the generality of the foregoing, Franchisee shall not:

- (i) Use, supply or sell in the franchised Business any disposal units or any other products which compete with, are identical to or are similar to the Units, other than the Units Franchisee obtains from Franchisor;
- (ii) Use, supply or sell in the franchised Business any fluid or product which competes with, is identical to or is similar to the Cannon GRASafe Fluid, other than the Cannon GRASafe Fluid Franchisee purchases from Franchisor;

- (iii) Manufacture, for use, supply or sale in the franchised Business (or any other business), the Units, the Cannon GRASafe Fluid or any other products which compete with, are identical to or are similar to the Units or Cannon GRASafe Fluid.

### **C. Inventory**

Franchisee shall at all times maintain adequate inventory of the Units and Cannon GRASafe Fluid, and all other products and supplies to provide Cannon Hygiene services to Franchisee's customers with reasonable efficiency.

## **8.9 Computer System**

When so directed by Franchisor, Franchisee agrees to procure and install, at its expense, the computer hardware, software, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment that Franchisor specifies (in its Manual or otherwise). Franchisee agrees to provide all assistance that Franchisor requires to bring Franchisee's computer system on-line with Franchisor's headquarters computer at the earliest possible time and to maintain this connection as Franchisor requires. Franchisee agrees to input and maintain in its computer system all data and information which Franchisor prescribes in its Manual, in its proprietary software programs and otherwise. Franchisee agrees that Franchisor may retrieve from Franchisee's computer system all information that Franchisor deems necessary, desirable or appropriate. Franchisor will bear the telephone costs of information retrieval.

Franchisor may, in the future, develop (or have developed on its behalf) proprietary software for use by the Cannon Hygiene System. If Franchisor determines to adopt proprietary software for use by the Cannon Hygiene System, then when directed by Franchisor, Franchisee agrees to use the proprietary software developed by or on behalf of Franchisor and to execute Franchisor's standard form Software License Agreement (Exhibit G). Franchisee agrees to obey the provisions of the Software License Agreement at all times following execution. If Franchisor determines to adopt proprietary software for use by the Cannon Hygiene System, then Franchisor will initially furnish to Franchisee its proprietary software and associated manuals and materials at Franchisor's expense. Franchisee agrees to purchase from Franchisor new, upgraded or substitute proprietary software whenever Franchisor determines to adopt it system-wide, at the prices and on the terms that Franchisor establishes.

Franchisee agrees, at its expense, to keep its computer system in good maintenance and repair. Franchisor may mandate that Franchisee add memory, ports, accessories, peripheral equipment and additional, new or substitute software. Following Franchisor's testing and determination that it will prove economically or systemically beneficial to Franchisee and Franchisor, Franchisee agrees to install at its own expense the additions, modifications, substitutions and/or replacements to its computer hardware, software, telephone and power lines and other computer facilities as Franchisor directs, on the dates and within the times Franchisor specifies in its Manual or otherwise.

Upon termination or expiration of this Agreement, Franchisee shall return all computer software, disks, tapes and other magnetic storage media to Franchisor in good condition, allowing for normal wear and tear.

## **8.10 Staffing Requirements and Qualifications**

Franchisee agrees to staff the franchised Cannon Hygiene Business in accordance with all criteria, specifications and directions Franchisor sets forth in its Manual or otherwise concerning the selection, qualifications, hiring, training, pre-training and post-training duties of Franchisee's Business

Managers and other personnel. All personnel employed by Franchisee shall maintain the standards of appearance, manner and demeanor established by Franchisor in its Manual or otherwise.

#### **8.11 Adequate Reserves**

Franchisee agrees at all times to maintain adequate reserves to cover the risks and contingencies of the Business for at least two months, in amounts specified in Franchisor's Manual. These reserves may be in the form of cash deposits or lines of credit. If Franchisee does not do so, this will constitute a material and incurable breach of this Agreement which, unless waived by Franchisor, will entitle Franchisor to terminate this Agreement immediately on notice to Franchisee, with no opportunity to cure.

#### **8.12 Indemnification**

Franchisee agrees at all times to defend at its own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate parent(if any), the corporate subsidiaries, affiliates, successors, assigns and designees of any of the foregoing entities, and the respective directors, officers, employees, agents, shareholders, designees, contractors and representatives of each (Franchisor and all others collectively the "Indemnitees") from all losses and expenses (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises out of or is based on any of the following: any personal injury suffered by any customer, visitor, employee or guest of the franchised Business, the Premises or any site at which Franchisee is providing service to a customer; claims of any type or nature advanced by or against Franchisee or any of Franchisee's officers, directors, shareholders, agents, employees, representatives and contractors by a third party (or, as applicable, against a third party) or between or among themselves; any service provided by Franchisee from, at, or related to the operation of, the franchised Business; crimes committed on or near the premises of the franchised Premises or any site at which Franchisee is providing service to a customer; Franchisee's alleged or actual infringement or violation of any patent, mark or copyright or other proprietary right owned or controlled by third parties; Franchisee's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive or of any industry standard; any acts, errors or omissions of Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, affiliates or representatives; latent or other defects in the Premises, whether or not discoverable by Franchisor or Franchisee; the supply or sale by Franchisee of any product not previously supplied to Franchisee by Franchisor (or any product not supplied to Franchisee by Franchisor in the same state or condition as at the time of the event giving rise to the claim) which is defective in any respect, or is or may be injurious to the health or safety of a person using, consuming or handling it; the use or operation of any equipment, chemical or vehicle in connection with the operation of the Business; any service provided by Franchisee at, from or related to the operation at the Business, the Premises or any site at which Franchisee is providing service to a customer; any action by any customer of Franchisee or visitor to the Premises or any site at which Franchisee is providing service to a customer; and, any damage to the property of Franchisee, Franchisor or its Affiliates, their agents or employees, or any third person, firm or corporation.

Specifically excluded from this indemnity is any liability arising from the gross negligence of Indemnitees, except to the extent that joint liability is involved, in which event the indemnification provided by this Section 8.12 will extend to any finding of comparative negligence or contributory negligence attributable to Franchisee or any of the Indemnitees, as the case may be.

For the purpose of this Section 8.12, "losses and expenses" includes all losses; compensatory, exemplary or punitive damages; fines; charges; costs; expenses; lost profits; attorneys' fees; experts'

fees; court costs; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time or space, and costs of changing, substituting or replacing them; and, all expenses of recall, refunds, compensation, public notices and other amounts incurred in connection with the matters described.

Franchisee agrees to give Franchisor notice of any such action, suit, proceeding, claim, demand, inquiry or investigation. At Franchisee's expense and risk, Franchisor may elect to assume (but under no circumstance will be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. However, Franchisor shall seek Franchisee's advice and counsel and keep Franchisee informed with regard to any such proposed or contemplated settlements. Franchisor's undertaking of defense and /or settlement will not diminish Franchisee's obligation to indemnify Franchisor and to hold it harmless.

In order to protect persons or property, its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time as it deems appropriate, offer, order, consent or agree to settlements or take any other remedial or corrective actions it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

1. Any of the acts or circumstances enumerated in this Section 8.12 have occurred, or
2. Any act, error, or omission of Franchisee may result directly or indirectly in damage, injury or harm to any person or any property.

All losses and expenses incurred under this Section 8.12 will be chargeable to and paid by Franchisee pursuant to its indemnity obligations under this Section, regardless of any actions, activity or defense undertaken by Franchisor or the success or failure of the actions, activity or defense. Indemnitees assume no liability for acts, errors, or omissions of those with whom Franchisee may contract for any purpose. Franchisee agrees to hold harmless and indemnify Indemnitees for all losses and expenses which may arise out of any acts, errors or omissions of these third parties. Under no circumstances will Indemnitees be required to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against Franchisee. Franchisee agrees that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by Indemnitees from Franchisee.

### **8.13 Inspection and Operational Audit**

Franchisee agrees that Franchisor or any of its authorized agents or representatives may at any time during normal business hours enter on the Premises and/or visit any locations at which Franchisee is rendering or has rendered services to customers, to conduct an operational audit to determine compliance with this Agreement and with Franchisor's policies, procedures, programs, standards, specifications and techniques as set forth in its Manual. Franchisor's representatives may examine and inspect the Premises, the services provided from or at the Premises, the services provided any locations at which Franchisee is rendering or has rendered services to customers; the equipment, products and supplies contained in the Premises, the products, equipment and supplies installed by Franchisee at customer locations, and the condition of the Premises. Franchisee agrees to provide Franchisor's representatives with such information and facilities for taking samples and making tests as Franchisor may reasonably require for the above purposes. Franchisor's representatives may examine, inspect and confer with Franchisee's employees and customers. Franchisee agrees to use all reasonable endeavors to obtain for Franchisor's representatives access

to any locations at which Franchisee is rendering or has rendered services to customers for these purposes.

Following any inspection and operational audit, and subject to the other provisions of this Agreement, Franchisee agrees to incorporate into its Cannon Hygiene Business any corrections and modifications Franchisor requires to maintain the standards of quality and uniformity prescribed by Franchisor, as quickly as is reasonably possible and using all resources at its disposal.

#### **8.14 Contracts and Forms**

Franchisee agrees to use all contracts and forms specified by Franchisor as part of the Cannon Hygiene System in the conduct of the franchised Business; to use only the latest version of any contract or form designated as current by Franchisor; and, not to use any unauthorized or obsolete contract or form.

#### **8.15 Corporate and Partnership Franchisee Requirements; Records**

A. Franchisee, if a corporation, and any corporate assignee shall comply with the following requirements:

1. Furnish Franchisor with its Articles of Incorporation; Bylaws; other governing documents; list of officers, directors and shareholders (including number and percentage of shares held); and any other documents Franchisor may reasonably request, and any amendments to them.
2. Confine its activities to the operation of the franchised Business, and its governing documents provide that its activities are confined exclusively to the operation of the franchised Business.
3. Maintain stop transfer instructions against the transfer on its records of any equity securities, and must not issue any securities on the face of which the following printed legend does not legibly and conspicuously appear:  
  
"The transfer of this stock is subject to the terms and conditions of a Franchise Agreement with Cannon Hygiene Franchising (USA) Inc., dated \_\_\_\_\_. Reference is made to the provisions of this Franchise Agreement and to the Articles and Bylaws of this Corporation. This certificate is not transferable and is not subject to sale, assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of Cannon Hygiene Franchising (USA) Inc."
4. Maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee, and must furnish this list to Franchisor on request.

B. Franchisee, if a partnership or proprietorship, and any partnership or proprietorship assignee shall comply, except as otherwise approved in writing by Franchisor, with the following requirements:

1. Furnish to Franchisor a copy of its partnership agreement and any other documents which Franchisor reasonably requests, and any amendments to them.

2. If Franchisor requests, prepare and furnish to Franchisor a list of all partners and proprietors of Franchisee.

C. Franchisee and any corporate, partnership or proprietorship assignee shall promptly notify Franchisor of any change in any of the information called for in this Section 8.15 or in any document referred to in this Section.

#### **8.16 Continuing Training of Franchisee's Personnel**

To impart to its employees the latest procedures, techniques, policies and standards of the Cannon Hygiene System, Franchisee agrees to conduct the in-house meetings, training sessions, electronic training programs or other programs that Franchisor specifies in its Manual or otherwise, using any materials provided by Franchisor for this purpose.

#### **8.17 Testimonials and Endorsements**

Franchisee agrees to permit Franchisor or any of its authorized agents or representatives to communicate in any manner with Franchisee's customers to procure customer testimonials and endorsements of the services or products furnished by Franchisee, the Cannon Hygiene System and any related services or products. Franchisee agrees to cooperate with Franchisor in procuring testimonials and endorsements. Franchisee agrees that Franchisor will be free to make whatever use of testimonials and endorsements that Franchisor determines, and that Franchisor will owe Franchisee absolutely no direct or indirect compensation or other duty as a consequence.

#### **8.18 Services, Equipment, Products, Programs and Intellectual Property Developed by Franchisee**

Franchisee irrevocably and permanently licenses to Franchisor for incorporation in the Cannon Hygiene System and use by Franchisor, its Affiliates and (if Franchisor determines) other Cannon Hygiene franchisees, all of the following if developed by or on behalf of Franchisee in conjunction with or related to the franchised Business: personal hygiene disposal services, equipment, products and programs; related services, equipment, and products (including, without limitation, any computer software); all intellectual property; and, sales, marketing and promotional programs and campaigns. Franchisee agrees that Franchisor, its Affiliates and franchisees will not be liable to Franchisee in any manner, whether for compensation or otherwise, as a consequence of this license.

#### **8.19 No Unauthorized Representations or Warranties to Customers; No Statements by Franchisee**

Franchisee shall make no representations, and shall give no warranties, to customers relating to the services, equipment, supplies, materials or products utilized by the franchised Business, other than those representations and warranties (if any) for which Franchisor has given Franchisee prior, specific written authorization. Franchisee agrees to make no statements or comments without Franchisor's prior written approval to any media representative or any other third party (except for persons considering purchasing a Cannon Hygiene franchise) relating to the contents of this Agreement, Franchisor or any Affiliate.

#### **8.20 Quality Standards**

Franchisor may require Franchisee to discontinue providing any service, or using or selling any service, equipment, supplies, product or program which, in Franchisor's opinion, does not conform to

the image of quality, performance, ethics, packaging, source or other standards or specifications established by Franchisor.

#### **8.21 Best Efforts; Cooperation with Franchisor**

Franchisee agrees to use its best efforts to develop and expand the market for the services and products offered by its franchised Cannon Hygiene Business, to achieve maximum sustainable growth of that market, and to cooperate with Franchisor in accomplishing the purposes of this Agreement.

#### **8.22 Variance of Standards and Terms**

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right, as it may consider in the best interests of all concerned, to vary standards for any System franchisee based on the peculiarities of the particular Territory or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor considers important to the successful operation of the franchisee's business. Franchisee will have no right to require Franchisor to disclose any variation to Franchisee or to grant Franchisee the same or a similar variation under this Agreement.

Franchisee further agrees that Franchisor will have the right to grant franchises using the Cannon Hygiene System, the Proprietary Mark and the other Intellectual Property under terms that may differ materially from the terms of this Agreement, so long as the different provisions are due to the franchise being granted at materially different times or other non-arbitrary distinctions. For this reason, Franchisor's obligations and rights with respect to its various Cannon Hygiene franchisees may from time to time differ materially from the terms of this Agreement, without in any way altering or affecting the provisions of this Agreement. Franchisee will have no right to require Franchisor to disclose any variation to Franchisee or to grant Franchisee the same or a similar variation under this Agreement.

### **9. INSURANCE**

#### **9.1 Required Insurance Coverage**

Franchisor imposes and prescribes minimum standards and limits for certain types of required insurance coverage in its Manual or by other written notice to Franchisee. Franchisee agrees that Franchisor may modify the required minimum limits of insurance coverage from time to time by written notice to Franchisee. Upon delivery or attempted delivery of this written notice, Franchisee agrees to immediately purchase insurance conforming to the newly established standards and limits prescribed by Franchisor.

A. Franchisee agrees to purchase at its expense, and maintain in effect at all times during the term of this Agreement, the following categories of insurance coverage in forms and through insurance companies satisfactory to Franchisor:

1. Broad form comprehensive general liability coverage and broad form contractual liability coverage satisfactory to Franchisor of at least \$1,000,000 aggregate. This insurance may not have a deductible or self-insured retention of over \$5,000.
2. Fire and Extended Coverage Insurance on Franchisee's Premises and property in an amount adequate to replace them in case of an insured loss.

3. If any vehicle is operated in connection with the conduct of the franchised Business, automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with minimum limits of liability in the greater of (i) the amount required by all applicable state and federal laws, or (ii) \$1,000,000 for each person killed or injured, and, subject to that limit for each person, a total minimum liability of \$2,000,000 for any number of persons injured or killed in one accident, and a minimum limit of \$300,000 for injury, destruction or loss of use of property of third persons as the result of any one accident.
4. Business Interruption Insurance in sufficient amounts to cover the rental of the Premises, previous profit margins, maintenance of competent personnel and other fixed expenses.
5. Worker's compensation and employer's liability insurance (in statutory amounts), unemployment insurance and state disability insurance (as required by governing law), for Franchisee's employees.

B. The insurance coverage acquired and maintained by Franchisee at its own expense, as set forth in subsection (A) of this Section 9.1, shall:

1. Name Franchisor and the other Indemnitees identified in Section 8.12 as Additional Insureds and provide that the coverage afforded applies separately to each insured against whom claim is brought as though a separate policy had been issued to each insured (except for the insurance coverages provided in subsection 9.1 (A) (5) above).
2. Contain no provision which in any way limits or reduces coverage for the Franchisee if there is a claim by any one or more of the Indemnitees.
3. Extend to and provide indemnity for all obligations assumed by Franchisee under this Agreement and all other items for which Franchisee is required to indemnify Franchisor under this Agreement.
4. Be primary to and without right of contribution from any other insurance purchased by Indemnitees.
5. Provide, by endorsement, that Franchisor is entitled to receive at least thirty days prior written notice of any intent to reduce policy limits, restrict coverage, cancel or otherwise alter or amend the policy.

Franchisee agrees not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend these insurance policies without Franchisor's written consent.

If there is a claim by any one or more of the Indemnitees against Franchisee, Franchisee shall, upon Franchisor's request, assign to Franchisor all rights which Franchisee then has or thereafter may have with respect to the claim against the insurer(s) providing the coverages described in this Section 9.1.

## **9.2 Purchase of Insurance on Franchisee's Behalf**

If Franchisee fails to purchase insurance conforming to the standards and limits prescribed by Franchisor, Franchisor may (but is not required to) obtain the insurance necessary to meet these

standards on Franchisee's behalf, through agents and insurance companies of Franchisor's choosing. Franchisee agrees to bear payments for this insurance and to immediately pay the required premiums or to reimburse Franchisor for the premiums. Nothing contained in this Agreement will impose any duty or obligation on Franchisor to obtain or maintain any specific forms, kinds or amounts of insurance on behalf of Franchisee.

### **9.3 No Undertaking or Representation**

Nothing contained in this Agreement may be considered an undertaking or representation by Franchisor that the insurance that Franchisee is required to obtain or that Franchisor obtains for Franchisee will insure Franchisee against any or all insurable risks of loss which may arise out of or in connection with the operation of the franchised Business.

### **9.4 Certificates of Insurance**

Franchisee agrees to promptly provide Franchisor with Certificates of Insurance evidencing the required coverage no later than ten days before the date that the franchised Business will commence operations. Franchisee agrees to deliver a complete copy of Franchisee's policies of insurance to Franchisor within thirty days following delivery of the certificates of insurance. Franchisee agrees to renew all insurance policies and documents, and on renewal, to furnish a renewal Certificate of Insurance to Franchisor before the expiration date of the policy in question. Franchisor may at any time require Franchisee to forward to Franchisor full copies of all insurance policies.

### **9.5 Notice of Claims and Demands**

Franchisee agrees to notify Franchisor of all claims or demands against Franchisee, the franchised Business, the Premises and/or Franchisor within three days of Franchisee's receiving notice of any claim or demand. Franchisee further agrees to respond to all claims within the time required by law, rule or regulation. In addition, Franchisee agrees to cooperate with Franchisor (or its designee) in every way possible to defend Franchisor and Franchisee against all claims made by employees, customers or third parties. Franchisee agrees, when necessary, to make appearances at administrative or other hearings to present or reinforce these defenses.

### **9.6 Failure to Purchase Insurance or to Reimburse Franchisor**

Franchisee's failure to purchase or maintain any insurance required by this Agreement, or to reimburse Franchisor for its purchase of any required insurance on Franchisee's behalf, will constitute a material and incurable breach of this Agreement which, unless waived by Franchisor, will entitle Franchisor to terminate this Agreement immediately upon notice to Franchisee, with no opportunity to cure.

## **10. ADVERTISING**

### **10.1 Advertising Standards**

Franchisee may only use advertising, identification and promotional materials and programs (including, but not limited to, printed and broadcast advertisements, direct mail materials, advertising specialties, World Wide Web/Internet pages or other communications by computer network or computer "bulletin boards"; stationery; business cards; identifying material on uniforms, disposal bags and other supplies and products; press releases; signs; posters; displays; placards; brochures; leaflets; newspaper advertisements and inserts; promotional mailouts; general mailings; and, promotional literature – collectively defined as "advertising") which Franchisor has either furnished or approved in

writing in advance, as provided in Section 10.2 below. Neither the fact that Franchisor furnishes the material, approves of the material, nor the material itself, will directly or indirectly require Franchisor to pay for any advertising, identification or promotion.

Franchisee agrees to conduct all advertising which uses Proprietary Mark and/or other Intellectual Property or refers in any way to the franchised Business in a dignified manner. Franchisee agrees to conform all advertising to the standards, specifications and requirements specified in writing by Franchisor, in its Manual or otherwise.

Of Franchisee breaches the provisions of this Section 10.1, Franchisor will notify Franchisee in writing of the facts which Franchisor believes have given rise to the breach. If Franchisee does not cure the breach within three days following delivery of this notice, then Franchisor may terminate or remove any unauthorized advertising at Franchisee's expense, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to Franchisee.

#### **10.2 Submission of Proposed Advertisements, Identifications and Promotional Materials**

Except for advertising, identification and/or promotional materials furnished to Franchisee by Franchisor, Franchisee agrees to submit to Franchisor for approval, before use or dissemination, copies of all proposed local advertising and direct mail materials (whether print or broadcast) and all proposed identification and promotional materials or programs (including, without limitation, stationery, business cards, signs, displays, press releases, leaflets and mailouts). Franchisor's approval of any materials may be withheld for any or no reason. If Franchisor does not respond within ten business days following its documented receipt of Franchisee's proposed advertising material, this will constitute approval.

#### **10.3 Telephones; Yellow/White Page Advertising**

Franchisee agrees to install the number and type of telephone and fax lines and the type of answering or voicemail system (if any) required by Franchisor in its Manual or otherwise. Franchisee further agrees to list its Cannon Hygiene Business in all alphabetic directories ("White Pages") serving Franchisee's Territory and advertise its Business continually in all classified directories ("Yellow Pages") serving Franchisee's Territory under headings designated by Franchisor in its Manual or otherwise. Franchisor may annually furnish to Franchisee demographic information and recommendations regarding which Yellow Pages directory(ies) in Franchisee's Territory Franchisee should advertise in for the coming year, based on competitive and economic factors. Franchisee agrees to procure, place and pay for all its Yellow and White Pages advertising. Franchisor may specify the size, style and content of Franchisee's Yellow Pages advertising.

If requested by Franchisor, Franchisee agrees to include the addresses and telephone numbers of other Cannon Hygiene Businesses in the body of Franchisee's Yellow Pages advertisements and as additional lines in White Pages listings. Franchisee agrees to show each Business so listed as equal in importance. Each Business advertised in a joint Yellow Pages ad will share equally in the cost of procuring, placing and paying for the joint ad. The listed Businesses will pay the cost of the extra lines containing the addresses and phone numbers of other Cannon Hygiene Businesses in White Page advertisements.

#### **10.4 Computer Network Advertising**

Franchisee may not maintain a World Wide Web page or otherwise maintain a presence or advertise on the Internet or any other public computer network without Franchisor's prior written approval, which Franchisor may withhold for any reason or no reason. Franchisee agrees to submit

to Franchisor for approval true and correct printouts of all pages Franchisee proposes to use in its Web site before use. Franchisee may only use material which Franchisor has approved. Franchisee's Web site must conform to all Franchisor's Web site requirements in its Manual or otherwise. Franchisee agrees to provide all hyperlinks or other links Franchisor requires. If Franchisor grants approval for a Web site, Franchisee may not use the Proprietary Mark or any other Intellectual Property at the site except as Franchisor expressly permits. Franchisee may not post any of Franchisor's proprietary, confidential or copyrighted material or information on its Web site. If Franchisee wishes to modify its approved Web site, all proposed modifications must also receive Franchisor's prior written approval. Franchisee agrees to list on its Web site any Web site maintained by Franchisor, and any other information Franchisor requires in the manner Franchisor requires. Franchisee agrees to obtain Franchisor's prior written approval for any Internet domain name and/or home page address. The requirements for Franchisor's prior approval set forth in this Section and Section 10.2 above will apply to all activities on the Internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more E-mail addresses and may conduct individual E-mail communications without Franchisor's prior written approval. Franchisee agrees to obtain Franchisor's prior approval as provided above if it proposes to send advertising to multiple addresses via E-mail.

## **11. RECORDS AND REPORTING REQUIREMENTS**

### **11.1 Financial Reporting**

Franchisee agrees to complete and submit to Franchisor periodic financial reports regarding the franchised Business in such form and at such times as Franchisor prescribes in its Manual or otherwise. Franchisee authorizes Franchisor to incorporate in its franchise offering circular and/or promotional literature information derived from the above financial reports.

### **11.2 Financial Records**

Franchisee agrees to record all revenues received by it or the franchised Business. Franchisee agrees keep and maintain adequate records of these revenues, and to maintain and preserve accurate books, records and tax returns, including related supporting material for the franchised Business for at least three years. Franchisor may specify, in its Manual or otherwise, the forms (electronic and/or otherwise) that Franchisee will be required to use in recording the revenues of the franchised Business. Franchisee agrees to keep and preserve for three years the types and classes of records relating to Franchisee's Cannon Hygiene Business that Franchisor requires in its Manual or otherwise.

## **12. PAYMENTS TO FRANCHISOR**

### **12.1 Unit Fee**

In consideration of Franchisor's grant to Franchisee of a license to use Franchisor's Proprietary Mark, other Intellectual Property and System, Franchisee agrees to pay to Franchisor a monthly Unit Fee which be calculated by multiplying the applicable rate set forth below times the number of Model A, Model B or Model C Units (as applicable) utilized by the franchised Business during the preceding calendar month (except for the advance payments of Unit Fees required pursuant to subsections 12.2 [A] below). The applicable rates for the calculation of Unit Fees will initially be as follows:

- (i) For Model A and B Units, \$3.00 per Unit per month.
- (ii) For Model C Units, \$3.50 per Unit per month.
- (iii) Foot pedals for Model A and B Units, \$0.57 per Unit per month.

- (vi) Foot pedals for Model C Units, \$0.71 per Unit per month.

The applicable rate for each type of Unit will increase annually by the percentage of increase in the "CPI" during the preceding twelve months, the CPI being defined as the Consumer Price Index for all Urban Consumers (CPI-U) – All Items (1982-84=100) for the United States published by the Bureau of Labor Statistics of the U.S. Department of Labor, and if the CPI is discontinued, the most nearly comparable successor index. Each such increase will take effect on April 1 of each year during the term of this Agreement. The applicable rate for Units which have already been delivered will be the rate in effect on the first day of the calendar month following the calendar during which the Unit in question was actually delivered. The applicable rate for Units expected to be delivered during the following calendar month will be the rate which will be in effect on the first day of said month. The Unit Fee shall be payable with respect to each Unit for a complete calendar month during the Unit's Use Period, and may not be prorated for partial months.

## **12.2 Reporting and Payment**

A. Each request to Franchisor for the supply of Units shall be accompanied by an advance payment to Franchisor equal to the Unit Fees payable with respect to the requested Units for six months (the "Advance Payment"). If such payment is not made, Franchisor will have the right to refuse to deliver the requested Units, and the requested Units shall not be included in calculating the number of Units ordered by Franchisee for the purposes of Section 8.7. If the order, date of delivery or any portion of the six months following the date of delivery falls following the annual increase in the Unit Fee effective April 1 of year (as provided by Section 12.1) but before Franchisor has informed Franchisee of the amount of the increase, then Franchisee agrees to remit the additional Advance Payment owed to Franchisor promptly after Franchisor informs Franchisee of the amount of the increase. The Advance Payment will be credited towards the Unit Fees otherwise payable with respect to the Units in question for the last six months of the Use Periods of the Units to which the Advance Payment relates, and will therefore relieve Franchisee of the obligation to pay Unit Fees with respect to the Units in question upon delivery.

B. Franchisee agrees to submit a monthly report to Franchisor for Franchisor's receipt on or before the last day of each calendar month, during the term of this Agreement. The monthly report will consist of a statement reporting the amount and calculation of the Unit Fee payment to be made, the number and type of Units included in the calculation, and the deductions, if any, made for Advance Payments. Franchisee must sign the monthly report. Franchisor reserves the right to require the electronic filing of Franchisee's monthly reports. In addition, Franchisee agrees to complete and submit to Franchisor periodic reports regarding the franchised Business in such form and at such times as Franchisor prescribes in its Manual or otherwise.

C. Concurrently with each monthly report, Franchisee agrees to pay to Franchisor the Unit Fee due for the following month. Payment of all Unit Fees shall be made in U.S. dollars by (at Franchisor's option) check or bankers draft payable to Franchisor or by wire transfer or other form of electronic transfer to the Franchisor's designated bank account in the United States.

D. Franchisee shall deposit all revenues derived or received from, through, by or on account of the franchised Business in a segregated bank account (the "Bank Account"). The Bank Account must have the capacity to make payments and receive credits through electronic funds transfer.

### **12.3 Late Charge**

Franchisee agrees to pay to Franchisor (or its Affiliates) interest on any amounts due to Franchisor (or its Affiliates) under this Agreement at the maximum interest rate permitted by law. If there is no applicable legal maximum rate, interest will be calculated at the rate of 4% above the prime rate of interest on the first day of each month that an amount is past due, as published in The Wall Street Journal. If The Wall Street Journal is not published at that date, the prime rate used will be that published by The New York Times, and if neither is published, the prime rate used will be that charged on that date by Citibank, N.A. in New York City.

### **12.4 Franchisee May Not Withhold or Set-off; Taxes**

A. All amounts payable by Franchisee to Franchisor (or its Affiliates) under this Agreement shall be paid without any set-off, counterclaim, restriction or condition. Franchisee agrees not to withhold payment of any Unit Fee or any other amounts due to Franchisor or its Affiliates on grounds of the alleged non-performance of any of Franchisor's obligations under this Agreement, whether on account of products purchased by Franchisee or otherwise.

B. All amounts payable by Franchisee to Franchisor (or its Affiliates) under this Agreement shall be paid free and clear of, and without deduction or withholding for or on account of, any present or future taxes imposed by any government, now or after the date of this Agreement. The term "Taxes" shall include (without limitation) all sales taxes, income taxes, excise taxes, trademark license taxes and any other tax, levy, impost or duty of what ever nature, however denominated. If Franchisee is required by law to deduct or withhold any Tax on any amounts payable under this Agreement, Franchisee shall pay to Franchisor (or such Affiliate) such additional amount as may be necessary in order that the net amount received by Franchisor (or such Affiliate) after the required deduction or withholding (including any required deduction or withholding on such additional amount) shall equal the amount that Franchisor (or such Affiliate) would have received had no such deduction or withholding been made.

C. If and to the extent that Franchisor (or its Affiliates) obtains any relief from or credit against Taxes asserted against it in any country by reason or on account of any Taxes for which deduction or withholding has been made in any other country and in respect of which Franchise has made additional payments under subsection (B), Franchisor (or such Affiliate) shall repay to Franchisee such part of the net amount of the total credits or reliefs from and against Taxes granted to or obtained by Franchisor (or its Affiliate) as Franchisor considers are fairly and reasonably attributable to such deduction or withholding.

D. Franchisee agrees to pay to Franchisor (or its Affiliates) immediately upon demand by Franchisor (or such Affiliate) the amount of any Tax imposed on, required to be collected, or paid by Franchisor (or such Affiliate) on account of goods or services Franchisor (or such Affiliate) has furnished to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the Initial Franchise Fee or Unit Fees called for by this Agreement.

E. Each of the parties hereto agrees that it will permit the other party's authorized agents to inspect (upon reasonable written notice) its financial records to the extent necessary to verify the amounts payable to and recoverable by the other party under this Section 12.4.

## **12.5 Payments to Franchisor**

In addition to all other payments under this Agreement, Franchisee agrees to pay to Franchisor (or its Affiliates) immediately upon demand by Franchisor:

1. All amounts advanced by Franchisor, or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason.

2. All amounts due to Franchisor (or its Affiliates), for products or services purchased by Franchisee from Franchisor (or its Affiliates).

All payments due to Franchisor from Franchisee under this Agreement shall be made in U.S. dollars by (at Franchisor's option) check or bankers draft payable to Franchisor or by wire transfer or other form of electronic transfer to the Franchisor's designated bank account in the United Kingdom.

## **12.6 Application of Funds**

If Franchisee is delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor or any of its Affiliates, then Franchisor or the Affiliate may apply any payment from Franchisee to the oldest obligation due, whether under this Agreement or otherwise, whether or not there is any contrary designation by Franchisee.

## **13. CONFIDENTIAL INFORMATION**

### **13.1 Restriction on Use of Confidential Information**

Franchisee agrees that it will never – during the Initial Term or any Renewal Term of this Agreement, or at any time after this Agreement expires or terminate – divulge or use any Confidential Information (as defined below) for the benefit of any other persons, partnership, proprietorship, association, corporation or entity. "Confidential Information" means knowledge, trade secrets or know-how concerning the systems of operation, programs, services, products, customers or practices of Franchisee, Franchisor or the Cannon Hygiene System. Confidential Information includes (without limitation) all information, knowledge, know-how, techniques and information which Franchisor, its Affiliates, or their officers, designate as confidential. Confidential Information will not, however, include information which Franchisee can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by others, but not through any act of Franchisee.

Franchisee will be released from the restrictions of this Article 13 only to the extent that Franchisee is legally compelled to disclose any of the Confidential Information in response to a court order, subpoena, tax audit, or other legal compulsion; provided, however: (i) that prior to any such disclosure Franchisee shall provide Franchisor with prompt notice thereof so that Franchisor may seek a protective order or other appropriate remedy, and only in the event that such protective order or other appropriate remedy is not obtained or Franchisor waives compliance with the provisions of this Article 13, may Franchisee furnish any portion of the Confidential Information, and only that portion of the Confidential Information that Franchisee is advised by written opinion of counsel is legally required, and (ii) that Franchisee shall promptly prepare, so label and transmit to Franchisor copies of all Confidential Information that Franchisee provides to any third parties for such purposes.

Franchisee understands that the following constitutes Confidential Information (without limitation): all services, equipment, supplies, materials, technologies and procedures relating to personal hygiene disposal services and to related services; all systems of operation, services,

products, programs, procedures, policies, standards, techniques, specifications and criteria which are now or in the future part of the Cannon Hygiene System; Franchisor's Manual; Supplements and amendments to the Manual; services, methods, procedures, systems and techniques for the installation and servicing of the Units, dispensing machines and personal hygiene equipment; procedures and techniques for the utilization of the Cannon GRASafe Fluid; specifications and standards for equipment, chemicals, products, materials and supplies; records pertaining to customers or billings; methods of advertising and promotion; instructional materials; quality assurance programs; supervision systems; recommended services; recordkeeping systems and materials; business forms; product and service order forms; general operations materials; job descriptions; advertising, promotional and public relations materials, campaigns, guidelines and philosophy; specifications, systems, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning the Cannon Hygiene System; additions to, deletions from, and modifications and variations of the components of the Cannon Hygiene System or the systems and methods of operations which now or in the future are employed by Franchisor, including all related standards and specifications and the means and manner of offering and selling them; and, all other components, specifications, standards, requirements and duties imposed by Franchisor or its Affiliates.

Except as authorized in this Agreement, Franchisee agrees never to copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing the Confidential Information in whole or in part; store it in a computer, data base or other electronic format; or, otherwise make it available to any third party. Upon the expiration or termination of this Agreement, Franchisee agrees to return to Franchisor all Confidential Information, including all materials, books, records, software and manuals considered confidential under this Agreement in Franchisee's possession.

Franchisee and its Business Manager may divulge only Confidential Information necessary to operate the franchised Business, and that only to those of Franchisee's employees, agents or independent contractors who need access to it for this purpose. Franchisee agrees to take all necessary precautions to ensure that its employees retain the Confidential Information in confidence. Franchisee's agreement to procure execution of Franchisor's Confidentiality/Non-Competition Agreement is set forth in Section 14.4 below.

## **14. COVENANTS NOT TO COMPETE**

### **14.1 Covenants Not to Compete**

A. Franchisee agrees that during the Initial Term and any Renewal Term of this Agreement, it will not directly or indirectly engage in any other business which offers or sells personal hygiene disposal services or products; which offers or sells related services or products; which engages in any of the activities which this Agreement contemplates that Franchisee will engage in; or, which offers or sells any other service, product or component which now or in the future is part of the Cannon Hygiene System, or any confusingly similar service or product.

Franchisee is prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant. In addition, Franchisee agrees not to divert any business that should be handled by the franchised Business to any other entity.

B. Franchisee agrees that for a period of one year immediately following the expiration or termination of this Agreement for any reason, Franchisee will not directly or indirectly engage in any other business which offers or sells personal hygiene disposal services or products, or which offers

or sells any other service, product or component which now or in the future is part of the Cannon Hygiene System, or any confusingly similar service or product.

Franchisee is prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant, if the other business is located within Franchisee's Territory, within ten miles of the perimeter of Franchisee's Territory, or within ten miles of the perimeter of (or within) any Cannon Hygiene Business Territory (whether Company-owned, franchised or otherwise established and operated).

C. It is the intention of the above provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing in this Section will prevent Franchisee from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ), and so long as Franchisee does not control the company in question.

D. Further, during the Initial Term or any Renewal Term of this Agreement, and for two years after the termination or expiration of this Agreement for any reason, Franchisee agrees not to hire personnel of Franchisor, its Affiliates or of any other Cannon Hygiene franchisee.

E. If Franchisee is a corporation, Franchisee agrees to cause its shareholders, directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests. If Franchisee is a partnership or proprietorship, Franchisee agrees to cause each partner, proprietor or other beneficial owner to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests. Franchisee's agreement to procure execution of Franchisor's Confidentiality/Non-Competition Agreement is set forth in Section 14.4 below.

#### **14.2 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants not to compete set forth in this Article 14 are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and shall not by necessity invalidate the entire covenants. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article 14 as if the resulting covenants were separately stated in and made a part of this Agreement.

#### **14.3 Enforcement of Covenants Not To Compete**

Franchisee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Franchisee's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Franchisee expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Franchisee agrees to pay all costs and expenses, including

reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

#### **14.4 Procurement of Additional Covenants**

Franchisee agrees to require and obtain the execution of Franchisor's Confidentiality/Non-Competition Agreement (Exhibit B), from all of the following persons: (i) before employment or any promotion, all Business Managers of Franchisee, any personnel employed by Franchisee who have received or will receive training from Franchisor, and all other supervisory employees of Franchisee; (ii) if Franchisee is a corporation, all officers, directors and shareholders of Franchisee and of any corporation directly or indirectly controlling Franchisee, at the same time as the execution of this Agreement (or at such later time as they assume such status); (iii) if Franchisee is a partnership, all partners, at the same time as the execution of this Agreement (or at such later time as they assume such status); (iv) all owners of a proprietorship interest in Franchisee, at the same time as the execution of this Agreement (or at such later time as they assume such status); and, (v) all of the persons enumerated in the covenants not to compete set forth in this Agreement as intended to be embraced by them. Franchisee shall furnish Franchisor with copies of all executed Confidentiality/Non-Competition Agreements no later than ten days following their execution.

### **15. FORM AND MANNER OF RENEWAL; CONDITIONS TO RENEWAL**

#### **15.1 Form and Manner of Renewal; Conditions to Renewal**

If Franchisor is franchising in this State (as defined in Section 4.2), and if Franchisee wishes to exercise its right to enter into a Renewal Franchise Agreement (as provided for in Section 4.2), it will do so by executing Franchisor's then-current form of renewal franchise agreement (the "Renewal Agreement"). The Renewal Agreement will take the form of Franchisor's then-current Franchise Agreement, modified as provided below. The Renewal Agreement will supersede this Agreement in all respects. The terms of the Renewal Agreement may differ from the terms of this Agreement, except that: (i) the boundaries of the Territory under this Agreement will remain the same, and (ii) the Unit Fee on renewal will not be greater than the Unit Fee that Franchisor then imposes on similarly-situated renewing franchisees.

Franchisee's right to enter into a Renewal Agreement will be conditioned on Franchisee's fulfillment of all of the following conditions:

1. Not less than 180 days, but not more than 240 days, before the expiration of the Initial Term of this Agreement, Franchisee must notify Franchisor of its intention to renew.
2. At the time of Franchisee's exercise of the right to enter into a Renewal Agreement and the commencement of the Renewal Term, Franchisee must have fully performed, be in compliance with and not be in default of all of its obligations under this Agreement, any amendments to this Agreement or replacement of this Agreement, the Manual and Supplements to the Manual, and all other agreements then in effect between Franchisee and Franchisor or its Affiliates.
3. Franchisee must have satisfied all monetary obligations to Franchisor (or its Affiliates) and must have substantially timely met these obligations throughout the Initial Term.
4. Franchisor must not have been given Franchisee two or more Notices of Default under this Agreement within two years of the expiration date of the Initial Term.

5. Franchisee must be able to renew its lease agreement for the Premises Location on terms acceptable to both Franchisor and Franchisee, or to lease a mutually acceptable substitute Premises Location within Franchisee's Territory without any interruption of business.

6. Franchisee must have executed a General Release, in the form of Exhibit E, of all claims against Franchisor, its Affiliates, and their officers, directors, shareholders, agents, attorneys, contractors and employees, in their corporate and individual capacities, arising out of or related to this Agreement. This document will not purport to release Franchisor from any future claims arising out of or related to any Renewal Agreement entered into between Franchisee and Franchisor.

7. Franchisee must comply with Franchisor's then-current qualification and training requirements as set forth in Franchisor's Manual or otherwise. Franchisor may require Franchisee's Business Manager to attend and successfully complete Franchisor's Initial Training Program (and/or any other training programs reasonably specified by Franchisor) as a condition precedent to renewal.

8. Franchisee must pay to Franchisor a Renewal Fee of \$2,000.

## **15.2 Notice of Expiration**

If applicable law requires Franchisor to give notice of expiration to Franchisee at a specified time before the expiration of the Initial Term or any Renewal Term of this Agreement, and Franchisor has not done so, then the term of this Agreement will be extended on a month-to-month basis until Franchisor has given Franchisee the required notice of expiration, and the required period before the expiration of the Agreement becomes effective has expired.

## **16. ASSIGNMENT; RIGHT OF FIRST REFUSAL**

### **16.1 Assignment By Franchisor**

Franchisor will have the right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity, provided that, if the assignment results in the performance by the assignee of Franchisor's functions under this Agreement: (i) the assignee must, at the time of the assignment, be financially responsible and economically capable of performing Franchisor's obligations under this Agreement, and (ii) the assignee must expressly assume and agree to perform these obligations.

Franchisee agrees that Franchisor may sell its assets, its Proprietary Mark, its other Intellectual Property, or its System to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of the Proprietary Mark (or any variation) and/or the loss of association with or identification of "Cannon Hygiene Franchising (USA) Inc." (whether alone or as an affiliate of Cannon Hygiene International Limited) as Franchisor under this Agreement.

If Franchisor assigns its rights in this Agreement, nothing in this Agreement requires Franchisor to remain in the Cannon Hygiene business, to supply any Units to Franchisee or to offer or sell Cannon GRASafe Fluid, Proprietary Products or any other services or products to Franchisee.

## **16.2 Assignment By Franchisee – General**

With respect to Franchisee's obligations under this Agreement, this Franchise Agreement is personal, since Franchisor has entered into this Agreement in reliance on and in consideration of Franchisee's singular personal skill and qualifications, and the trust and confidentiality that Franchisor reposes in Franchisee. Therefore, except as provided below, neither Franchisee's interest in this Franchise Agreement, its rights or privileges under this Agreement, the franchised Business, nor any interest in the franchised Business, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without first obtaining Franchisor's written consent in accordance with this Article 16 or without first complying with Franchisor's right of first refusal pursuant to Section 16.6. Franchisee agrees to immediately report to Franchisor all transfers of ownership in a corporate, partnership or proprietorship franchisee, in accordance with the procedures set forth in Franchisor's Manual or otherwise.

## **16.3 Assignment By Franchisee – To A Corporation Formed By Franchisee**

If Franchisee desires to transfer its interest in this Franchise Agreement to a corporation formed by Franchisee solely for the convenience of ownership, Franchisee shall obtain Franchisor's prior written consent. Franchisor will not unreasonably withhold consent if all the following conditions are met:

1. The corporation is newly organized and duly incorporated, and its activities are confined to acting exclusively as a Cannon Hygiene franchisee.
2. Franchisee is the sole shareholder of the corporation and is its principal officer (or Franchisee is the sole owner of 75% or more of all stock of the corporation, with the remaining stockholders being Franchisee's spouse and/or adult children).
3. If Franchisee is more than one individual, each individual must have the right to the same proportionate ownership interest in the corporation as it or she had in the franchised Business before the transfer.
4. Franchisee and the corporation execute an agreement with Franchisor under which Franchisee and the corporation agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future shareholder of the corporation must agree in writing to personally guarantee the performance by the corporation of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor, in the form of Exhibit C to this Agreement. Franchisee, as the "Principal Shareholder" of the corporation formed by Franchisee, shall sign an Undertaking in the form set forth as Exhibit D to this Agreement.
5. The name of the corporation formed by Franchisee may not include the Proprietary Mark "CANNON HYGIENE", any variant of "CANNON HYGIENE" or any words confusingly similar to "CANNON HYGIENE".
6. All stock certificates of the corporation must be endorsed with the following legend, conspicuously placed:

"The transfer of this stock is subject to the terms and conditions of a Franchise Agreement dated [date of this Agreement] between Cannon Hygiene Franchising (USA) Inc. and [Name of Franchisee]. This certificate is not transferable and is not subject to sale, assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of Cannon Hygiene Franchising (USA) Inc."

7. The Articles of Incorporation, Bylaws and other organizational documents of the corporation must state that the issuance and transfer of any interest in the corporation are restricted by the terms of the Franchise Agreement.

Any transfer pursuant to this Section 16.3 will not be subject to Franchisor's rights of first refusal under Section 16.6 below, and will not require payment of a transfer fee.

#### **16.4 Assignment By Franchisee – Sale To Third Party**

A. Franchisee may not sell or otherwise assign or transfer the franchise conveyed by this Agreement, the franchised Business, the Premises, or any interest in any of these, without Franchisor's prior written consent. If Franchisor does not elect to exercise its right of first refusal (as provided in Section 16.6 below), then Franchisor will not unreasonably withhold consent to the assignment and sale. Franchisee agrees that it will not be unreasonable for Franchisor to impose, among other requirements, the following conditions to consenting to the assignment and sale:

1. That Franchisee complies with the right of first refusal provisions of Section 16.6 of this Agreement.
2. That the proposed assignee applies to Franchisor for acceptance as a franchisee, and furnishes to Franchisor the information and references that Franchisor requests to determine assignee's skills, qualifications and economic resources.
3. That the assignee (or the principal officers, shareholders or directors of a corporate assignee) demonstrates that he has the skills, qualifications, ethics, moral values and economic resources necessary, in Franchisor's reasonable judgment, to conduct the Business contemplated by this Agreement, and to fulfill its obligations to the assignor.
4. That the proposed assignee's proposed Business Manager have attended and successfully completed Franchisor's Initial Training Program before the assignment, and any other training that Franchisor reasonably requires, at the assignee's expense (which will include a training fee and the cost of the proposed assignee's transportation to any training, lodging, food and other living expenses).
5. That the lessor or sublessor of the Premises Location consents in writing to the assignment of Franchisee's lease to the proposed assignee.
6. That as of the date of the assignment, the assignor has fully complied with all of its monetary and other obligations to Franchisor and its Affiliates under this Agreement and any other agreement or arrangement with Franchisor or its Affiliates.

7. That if the Franchise Agreement is being assigned, or the franchised Business is being sold, the assignee executes a separate Franchise Agreement in the form and on the terms and conditions Franchisor then offers to prospective franchisees who are similarly situated (except that the assignee will not be obligated to pay another Initial Franchise Fee and the Unit Fee will be that specified in this Agreement). The term of this new Franchise Agreement will expire on the date of expiration of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for the guarantees of Franchisee and the post-termination and post-expiration provisions under this Agreement.
8. If the proposed assignee is purchasing part, but not all, of an interest in a corporate or partnership franchisee to this Agreement, then the proposed assignee must execute a Guarantee in the form of Exhibit C to this Agreement.
9. That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a General Release in the form of Exhibit F, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its Affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.
10. That the assignor pays Franchisor a transfer fee of \$5,000.
11. That if the assignee is a corporation, partnership or proprietorship, all of the applicable requirements set forth above under Sections 8.15, 14.4, 16.3 and 16.4 are complied with, including the procurement of guarantees executed by shareholders of the assignee in the form of Exhibit C to this Agreement.
12. That the assignor furnishes to Franchisor a copy of the executed contract of assignment.
13. That Franchisee remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability.
14. That the assignor complies with the terms of the post-term covenant not to compete set forth in Section 14.1, commencing on the effective date of the assignment.

B. If Franchisor consents to the assignment of this franchise, it also consents to the assignment of Franchisee's lease agreement with its Premises lessor and all agreements between Franchisor and Franchisee which are ancillary to this Agreement. If the franchise is assigned, Franchisee also agrees to assign its lease agreement with the Premises lessor and all other agreements between Franchisor and Franchisee ancillary to this Agreement to the same assignee. After the assignment, Franchisee will remain liable under all the assigned agreements to the extent they require.

C. Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its corporate parent(if any), and the subsidiaries, affiliates, designees, shareholders, directors, officers, employees and agents of either entity, from and against any and all losses, costs, expenses (including attorneys' and experts' fees), court costs, claims, demands, damages, liabilities, however caused (whether or not the losses, costs, expenses, court costs, claims, demands, damages or liabilities are reduced to judgment), resulting directly or indirectly from or pertaining to any statements, representations or warranties that may be given by Franchisee to any proposed assignee of the franchise, or any claim that Franchisee or the assignor engaged in fraud, deceit, violation of franchise laws of other illegality in connection with the negotiations leading to the consummation of the assignment.

#### **16.5 Assignment By Franchisee – Transfer Upon Death or Disability**

Upon the death or permanent disability of Franchisee, Franchisee's Principal Shareholder or the last surviving principal or partner of Franchisee (as the case may be), Franchisee's rights will pass to Franchisee's other shareholders, estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "Estate"). The Estate may continue the operation of the franchised Business if: (i) the Estate provides a competent and qualified individual acceptable to Franchisor to serve as Business Manager and operate Franchisee's Cannon Hygiene Business on a full-time basis; (ii) this individual attends and successfully completes Franchisor's next offered Initial Training Program at the Estate's expense; and, (iii) this individual assumes full-time operation of the franchise as Business Manager within one month of the date Franchisee dies or becomes disabled. In the alternative, the Estate may sell Franchisee's franchise within one month in accordance with the provisions of Section 16.4.

If the Estate does not designate a Business Manager, the Estate's designated Business Manager does not attend and satisfactorily complete Franchisor's Initial Training Program and to assume the full-time operation of the franchised Business within one month, or, in the alternative, if the Estate does not sell Franchisee's franchise within one month in accordance with the provisions of Section 16.4, this will constitute a material breach of this Agreement which, unless cured by the Estate as provided in Section 19.3, will result in this Agreement being terminated immediately.

#### **16.6 Right of First Refusal**

The right of Franchisee to assign, transfer, redeem or sell its interest in this Franchise Agreement or the franchised Business, voluntarily or by operation of law (as provided above), will be subject to Franchisor's right of first refusal. Franchisor shall exercise its right of first refusal in the following manner:

1. Franchisee shall deliver to Franchisor a true and complete copy of the offer (the "notice") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.

2. Within thirty days after Franchisor's receipt of the notice (or, if Franchisor requests additional information, within thirty days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice. However, Franchisor will be entitled to all of the customary representations and warranties given by the seller of assets of a business, including (without limitation) representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and Franchisee's contingent and other liabilities affecting the assets.

3. If a partial transfer is proposed through the assignment or redemption of more than 25% of the capital stock of a corporate franchisee, or of more than 25% of partnership or proprietorship interests to other than the original partners or proprietors of Franchisee (measured against the ownership of the Franchisee entity as originally constituted on the date of execution of this Agreement), then Franchisor will have the option to purchase not only the interests being transferred but also the remaining interests, so that Franchisor's resulting ownership will be 100% of the franchisee. The price of these remaining interests will be proportionate to the price of the interests initially being offered.

4. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.

5. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing. Franchisee agrees to take all action necessary to assign its lease agreement with the lessor of the Premises Location to Franchisor.

6. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Franchisee will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Business to its proposed assignee on the terms and conditions specified in the notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.

7. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. Franchisee and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Business specified in this Article 16.

#### **16.7 No Encumbrance**

Franchisee will have no right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement, the franchise or the franchised Business in any manner without Franchisor's prior written permission, which Franchisor may withhold for any reason.

### **17. INTELLECTUAL PROPERTY**

#### **17.1 Franchisee's Non-Ownership of the Proprietary Mark and Intellectual Property**

Nothing in this Agreement will give Franchisee any right, title or interest in or to the Proprietary Mark or the other Intellectual Property of Franchisor (or its Affiliates) except as a mere privilege and license, during the term of this Agreement, to display and use the Proprietary Mark and use the Intellectual Property, according to the limitations set forth in this Agreement. The use in this Agreement of the term "Proprietary Mark" in the singular shall include all Proprietary Marks which Franchisor designates (and has not designated as withdrawn from use), and which Franchisor may in the future designate in writing.

Franchisee understands and agrees that the limited license to use the Proprietary Mark and the other Intellectual Property granted by this Agreement applies only to the Proprietary Mark and/or other elements of the Intellectual Property which Franchisor designates (and has not designated as

withdrawn from use), and the Proprietary Mark and/or other elements of the Intellectual Property which Franchisor may in the future designate in writing. Franchisee agrees not to represent in any manner that it has acquired any ownership or equitable rights in the Proprietary Mark and/or other Intellectual Property by virtue of the limited license granted under this Agreement or Franchisee's use of the Proprietary Mark and/or other Intellectual Property. All uses of the Proprietary Mark by Franchisee, whether as a trademark, service mark, trade name or trade style, will inure to Franchisor's benefit. All uses of the other Intellectual Property by Franchisee will likewise inure to Franchisor's benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Proprietary Mark, other Intellectual Property and/or operation of the franchised Business.

## **17.2 Acts in Derogation of the Proprietary Mark or Intellectual Property**

Franchisee agrees that the Proprietary Mark and the other Intellectual Property are the exclusive property of Franchisor (or its Affiliates). Franchisee asserts and will in the future assert no claim to any goodwill, reputation or ownership of the Proprietary Mark or the other Intellectual Property by virtue of Franchisee's licensed use of the Proprietary Mark or the other Intellectual Property, or for any other reason. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its Affiliates in connection with the Proprietary Mark or the other Intellectual Property, either during or after the term of this Agreement. Franchisee agrees not to apply for or obtain any trademark or service mark registration of any of the licensed Proprietary Mark or any confusingly similar marks in its own name, and Franchisee likewise agrees not to apply for or obtain any copyright or patent registration of any of the other licensed Intellectual Property in its own name. Franchisee agrees to use the Proprietary Mark and the other Intellectual Property only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute or impugn the validity of the Proprietary Mark or the other Intellectual Property, the rights of Franchisor (or its Affiliates) to the Proprietary Mark or the other Intellectual Property, or the rights of Franchisor, its Affiliates or other franchisees of Franchisor to use the Proprietary Mark or the other Intellectual Property.

## **17.3 Use of Intellectual Property and Display of Proprietary Mark**

A. Franchisee agrees to use the Proprietary Mark and the other Intellectual Property in full compliance with rules prescribed from time to time by Franchisor in its Manual or otherwise. Franchisee is prohibited (except as expressly provided in this Agreement) from using any Proprietary Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by Franchisor to Franchisee). Franchisee may not use any Proprietary Mark or the other Intellectual Property in connection with the sale of any unauthorized service, product or program or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may use the Proprietary Mark and the other Intellectual Property only for the operation of the franchised Business or in advertising for the franchised Business. Franchisee's right to use the Proprietary Mark and the other Intellectual Property is limited to the uses authorized under this Agreement. Any unauthorized use of the Proprietary Mark and/or the other Intellectual Property by Franchisee will constitute an infringement of Franchisor's rights and a material and incurable breach of this Agreement which, unless waived by Franchisor, will entitle Franchisor to terminate this Agreement immediately upon notice to Franchisee, with no opportunity to cure.

B. Franchisee may not use the Proprietary Mark or the other Intellectual Property in any way which will incur any obligation or indebtedness on behalf of Franchisor. Franchisee agrees to comply with Franchisor's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and to execute any documents deemed necessary by Franchisor or its counsel to obtain

protection for the Proprietary Mark and the other Intellectual Property or to maintain their continued validity and enforceability.

C. Franchisee agrees to affix Franchisor's Proprietary Mark on the Premises and the uniforms, equipment, containers, fixtures, signs, stationery, advertising, sales/promotional materials and other objects, in the size, color, lettering style and fashion and at the places which Franchisor designates in its Manual or otherwise. Franchisee also agrees to display the Proprietary Mark and relevant trademark and copyright notices pursuant to the requirements set forth in the Manual. Except as expressly provided in the Manual or otherwise, Franchisee may not erect or display in or on its Cannon Hygiene facility, stationery, advertising, sales or promotional materials or any other objects bearing any other trademarks, logotypes, symbols or service marks. Franchisee may not use any names, marks or logotypes other than the Proprietary Mark in connection with the franchised Business without Franchisor's prior written approval.

#### **17.4 Non-Use of Trade Name**

If Franchisee is a corporation, partnership, limited liability company or other entity, it may not use Franchisor's Proprietary Mark or any confusingly similar words or symbols, in Franchisee's entity name. In particular, Franchisee may not use the words "Cannon Hygiene," "Cannon Hygiene Franchising (USA) Inc.," or any variant as part of its entity name.

#### **17.5 Required Means of Cannon Hygiene Identification**

Franchisee shall conduct its Cannon Hygiene Business under the assumed business name "Cannon Hygiene". Franchisee agrees, at its expense, to perform all filings and procure all required or necessary governmental approvals or registrations required to do business under that assumed business name. Franchisee agrees to identify itself as a franchisee, but not an agent, of Franchisor.

#### **17.6 Defense of Proprietary Mark and Other Intellectual Property By Franchisor**

If Franchisee receives notice, is informed or learns of any claim, suit or demand against it on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Proprietary Mark and/or the other Intellectual Property (each, a "claim"), Franchisee agrees to promptly notify Franchisor. Franchisor will then promptly take any action it may consider necessary to protect and defend Franchisee against the claim and indemnify Franchisee against any loss, cost or expense incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to the use of Proprietary Mark and/or the other Intellectual Property. Franchisee may not settle or compromise the claim by a third party without Franchisor's prior written consent. Franchisor will have the right to defend, compromise and settle the claim at its sole cost and expense, using its own counsel. Franchisee agrees to cooperate fully with Franchisor in connection with the defense of the claim. Franchisee grants irrevocable authority to Franchisor, and appoints Franchisor as Franchisee's attorney in fact, to defend and/or settle all claims of this type. Franchisee may participate at its own expense in the defense or settlement, but Franchisor's decisions with regard to the settlement will be final. Franchisor will have no obligation to defend or indemnify Franchisee pursuant to this Section 17.6 if the claim arises out of or relates to Franchisee's use of any of the Proprietary Mark and/or the other Intellectual Property of Franchisor in violation of the terms of this Agreement.

## **17.7 Prosecution of Infringers**

If Franchisee receives notice, is informed or learns that any third party which it believes is not authorized to use the Proprietary Mark and/or the other Intellectual Property is using the Proprietary Mark and/or the other Intellectual Property or any variant thereof, Franchisee agrees to promptly notify Franchisor. Franchisor will then determine whether or not it wishes to take any action against the third party on account of the alleged infringement of Franchisor's Proprietary Mark and/or the other Intellectual Property (as applicable). Franchisee will have no right to make any demand or to prosecute any claim against any alleged infringer of Franchisor's Proprietary Mark and/or the other Intellectual Property for or on account of an alleged infringement.

## **17.8 Discontinuance or Substitution of Proprietary Mark and/or the other Intellectual Property**

This Agreement grants Franchisee a non-exclusive license to use and display the Proprietary Mark "CANNON HYGIENE" and any other Proprietary Mark and Intellectual Property which Franchisor designates and has not withdrawn, subject to the terms and provisions of this Agreement and all related agreements. Franchisee agrees to comply with any instruction by Franchisor to modify or discontinue use of any Proprietary Mark Proprietary Mark and/or the other Intellectual Property, or to use any additional or substituted Proprietary Mark and/or the other Intellectual Property. Franchisor's sole obligation in this event will be to reimburse Franchisee for its documented expenses of compliance, such as changing signs, stationery, etc. Franchisee waives any other claim arising from or relating to any change, modification or substitution to the Proprietary Mark and/or the other Intellectual Property. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any such addition, modification, substitution or discontinuation except as provided above in this Section 17.8. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

# **18. RELATIONSHIP OF THE PARTIES**

## **18.1 Independent Contractor**

Franchisee understands and agrees that Franchisee is and will be an independent contractor of Franchisor under this Agreement. Nothing in this Franchise Agreement may be construed to create a partnership, joint venture or agency. No employee of Franchisee will be deemed to be an employee of Franchisor. Neither Franchisee nor any employee of Franchisee whose compensation for services is paid by Franchisee may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of Franchisor for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee acknowledges and agrees that no fiduciary relationship exists between Franchisor and Franchisee.

Franchisee may not, without Franchisor's prior written approval, have any power to obligate Franchisor for any expenses, liabilities or other obligations, other than as specifically provided for in this Agreement. Except as expressly provided in this Agreement, Franchisor may not control or have access to Franchisee's funds or the expenditure of Franchisee's funds, or in any other way exercise dominion or control over Franchisee's Business. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between Franchisor and Franchisee is other than that of franchisor and franchisee. Franchisor does not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this

Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the franchised Business.

**FRANCHISEE AGREES TO CONSPICUOUSLY IDENTIFY HIMSELF AND HIS PREMISES – IN ALL DEALINGS WITH HIS CUSTOMERS, CONTRACTORS, SUPPLIERS, PUBLIC OFFICIALS AND OTHERS – AS AN INDEPENDENT FRANCHISEE OF FRANCHISOR. FRANCHISEE AGREES TO PLACE THIS NOTICE OF INDEPENDENT OWNERSHIP ON ALL FORMS, BUSINESS CARDS, STATIONERY, ADVERTISING, SIGNS AND OTHER MATERIALS IN THE FASHION THAT FRANCHISOR MAY SPECIFY AND REQUIRE FROM TIME TO TIME, IN ITS MANUAL OR OTHERWISE.**

## **19. DEFAULT AND TERMINATION**

### **19.1 Termination By Franchisor – Automatic Termination Without Notice**

Franchisee will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to Franchisor without notice to Franchisee, if: Franchisee, the franchised Business or the business to which the franchise relates is adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against Franchisee or the franchised Business and is not immediately contested and/or dismissed within sixty days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of Franchisee, the franchised Business or assets of either is filed and consented to by Franchisee; a receiver or other custodian (permanent or temporary) of all or part of Franchisee's assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee or the franchised Business; Franchisee is dissolved; execution is levied against Franchisee, the franchised Business or its property; or, the real or personal property of the franchised Business is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

### **19.2 Termination By Franchisor Upon Notice – No Opportunity To Cure**

Franchisee will have materially breached this Agreement and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisee's receipt of notice (which, whether sent by certified mail, registered mail, fax, overnight courier or personal physical delivery, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee) upon the occurrence of any of the following events:

1. Franchisee does not commence operation of the franchised Business within six months from the date of execution of this Agreement by Franchisor; at any time ceases to operate the franchised Business; abandons the franchise relationship; or, abandons the franchise by failing to operate the Business for five consecutive days during which Franchisee is required to operate the Business under this Agreement (or any shorter period of time after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to operate the franchise), unless Franchisee's failure to operate is due to fire, flood, other Acts of God or other similar causes beyond Franchisee's control.

2. Franchisee omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement.

3. Franchisor and Franchisee agree in writing to terminate the Franchise Agreement.

4. Franchisee does not secure a Premises for the franchised Business within the time limits and following the procedures specified in Article 6 of this Agreement.

5. Franchisee loses the right to possession of the Premises Location, provided, however, that if the loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee will have thirty days after this event to apply for Franchisor's approval to relocate and reconstruct the premises in accordance with the applicable provisions of this Agreement. This approval may not be unreasonably withheld, but it will be reasonable for Franchisor to withhold approval if the Cannon Hygiene Business will not re-open within six months of the closing of the previous Premises Location.

6. Franchisee (or, if Franchisee is a corporation, partnership, proprietorship or other entity, any principal of Franchisee) is convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which Franchisor reasonably believes is related to Franchisee's operation of the franchised business, or is likely to have an adverse effect on the Cannon Hygiene System, the Proprietary Mark and/or the other Intellectual Property, the goodwill associated with the Proprietary Mark and/or the other Intellectual Property or Franchisor's interest in the System, the Proprietary Mark and/or the other Intellectual Property.

7. A threat or danger to public health or safety results from Franchisee's continued operation of the franchised Business.

8. Franchisee (or any principal of a corporate, partnership, proprietorship or other entity franchisee) purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or the franchised Business to any third party in violation of the terms of this Agreement.

9. Franchisee does not comply with the covenant not to compete during the term of this Franchise Agreement; violates the restrictions pertaining to the use of Confidential Information contained in this Agreement, or does not obtain the execution of the additional covenants required in Article 14 of this Agreement.

10. Franchisee conceals revenues; knowingly maintains false books or records; falsifies information or otherwise defrauds or makes false representations to Franchisor; or, knowingly submits any substantially false report to Franchisor.

11. Franchisee fails to satisfy the Annual Minimum Unit Requirement for any Anniversary Year or to maintain the quantities of Units required hereunder, unless such failure is attributable to a failure or delay in supply by Franchisor or lack of availability of the Units.

12. Franchisee refuses Franchisor permission to inspect or to conduct an operational audit pursuant to Franchisor's right to do so set forth in Section 8.13.

13. Franchisee makes any use of the Proprietary Mark and/or the other Intellectual Property not authorized under this Agreement, or Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to Franchisor's Proprietary Mark.

14. Franchisee does not cure any default under this Agreement which materially impairs the goodwill associated with Franchisor's Proprietary Mark and/or the other Intellectual Property following delivery of written notice to cure at least seventy-two hours in advance.

15. Franchisee does not comply, for a period of ten days after notification of non-compliance, with any federal, state or local law or regulation applicable to the operation of the franchised Business.

16. Franchisee, after curing a default pursuant to Section 19.3, commits the same act of default again within six months of the first act of default, or Franchisee repeatedly fails to comply with one or more requirements of this Franchise Agreement, whether or not corrected after notice.

17. Franchisee offers or sells as part of its franchised Business any unapproved service, product or equipment, or does not continue offering and selling all services and products which are a part of the Cannon Hygiene System, or does not use and disseminate (as applicable) all materials, notices and procedures specified by Franchisor.

18. Franchisee uses, supplies or sell in the franchised Business any disposal units or any other products which compete with, are identical to or are similar to the Units other than the Units Franchisee obtains from Franchisor or disposal unit processing fluid or any product which competes with, are identical to or are similar to the Cannon GRASafe Fluid other than the Cannon GRASafe Fluid Franchisee purchases from Franchisor, or Franchisee manufactures, for use, supply or sale in the franchised Business (or any other business), the Units, the Cannon GRASafe Fluid or any other products which compete with, are identical to or are similar to the Units or Cannon GRASafe Fluid.

19. Franchisee does not purchase or maintain any insurance required by this Agreement, or does not reimburse Franchisor for its purchase of insurance on behalf of Franchisee.

### **19.3 Termination by Franchisor – Fifteen Days to Cure**

Except as provided above, Franchisee will have fifteen calendar days after its receipt from Franchisor of a written Notice of Termination to remedy any default under this Agreement (or, if the default cannot reasonably be cured within this period, to initiate action to cure the default within that time), and to provide evidence that it has done so to Franchisor. If Franchisee has not cured any default within that time (or, if appropriate, Franchisee has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the fifteen day period, or any longer period required by applicable law.

A Notice of Termination transmitted by Franchisor pursuant to this Section 19.3 shall be delivered in accordance with the terms of Article 25 of this Agreement. All Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee's Cannon Hygiene Business. Franchisee will be in default of this Agreement for any failure to substantially comply with any of the requirements imposed upon Franchisee by this Agreement, as it may from time to time be supplemented by Franchisor's Manual and all Supplements to the Manual, or otherwise, or to carry out the terms of this Agreement in good faith. These defaults include, without limitation, the following events:

1. Franchisee fails, refuses or neglects to pay promptly when due any money owing to Franchisor or its Affiliates, or to submit the financial and non-financial reports and other information required to be submitted to Franchisor under this Agreement, Franchisor's Manual or other written notice, or Franchisee makes any false statements in connection with any reports or other information required to be submitted to Franchisor.

2. Franchisee does not maintain and operate its franchised Cannon Hygiene Business and Premises in a good, clean, sanitary and sound manner, in strict compliance with Franchisor's

standards of quality, hygiene, cleanliness and maintenance (which standards may be changed or modified from time to time in Franchisor's Manual or otherwise).

3. Franchisee does not comply with any other lawful provision or requirement of this Agreement or any specification, standard or operating procedure prescribed by Franchisor pursuant to this Agreement.

#### **19.4 Franchisee's Failure to Pay**

Franchisee's failure to make payments of any Unit Fees or other money due and owing to Franchisor, after receipt from Franchisor of notice of the default granting an opportunity to cure, will be deemed Franchisee's willful and wrongful breach under this Agreement and Franchisee's decision to reject and terminate this Agreement and all related agreements between Franchisee and Franchisor or its Affiliates.

#### **19.5 Cross Default**

Any default or breach by Franchisee of any other agreement between Franchisor or its Affiliates and Franchisee will be deemed a default under this Agreement, and any default or breach of this Agreement by Franchisee will be deemed a default or breach under any and all other agreements between Franchisor and Franchisee. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Franchisee in the same manner provided for in this Agreement for termination of this Agreement.

#### **19.6 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

### **20. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES ON TERMINATION OR EXPIRATION**

**20.1** If this Agreement expires or terminates for any reason, Franchisee will cease to be an authorized Cannon Hygiene franchisee and Franchisee will lose all rights to the use of Franchisor's Proprietary Mark, the other Intellectual Property, the Cannon Hygiene System, all Confidential Information and know-how owned by Franchisor and any goodwill engendered by the use of Franchisor's Proprietary Mark and the other Intellectual Property.

Upon termination or expiration of this Agreement for whatever reason, Franchisee agrees to:

1. Immediately pay all sums due and owing to Franchisor or its Affiliates, and all sums due and owing to any lessor, employees, taxing authorities, advertising agencies and all other third parties.

2. Discontinue the use of the Proprietary Mark and the other Intellectual Property, and not operate or do business under any name or in any manner which might tend to give the general public

the impression that it is operating a Cannon Hygiene Business, or any similar business. Franchisee may not use, in any manner or for any purpose, directly or indirectly, any of Franchisor's Confidential Information, trade secrets, know-how, procedures, forms, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (without limitation): the Units; the Cannon GRASafe Fluid; Cannon Hygiene services, equipment, products and programs; specifications or descriptions of Franchisor's services and products; lists of customers, employees and independent contractors; Franchisor's Manual and any Supplements to it; forms, advertising matter, marks, devices, signs, insignia, slogans and designs used in connection with the franchised Business; and, the systems, procedures, techniques, criteria, concepts, designs, advertising and promotion techniques, specifications, and all other components, specifications and standards, which comprise (or in the future may comprise) a part of the Cannon Hygiene System.

3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Proprietary Mark "Cannon Hygiene," or any other Proprietary Mark of Franchisor, or any variant, within fifteen days following termination or expiration of this Agreement. If Franchisee fails or refuses to do so, Franchisor may, in Franchisee's name, on Franchisee's behalf and at Franchisee's expense, execute all documents necessary to cause discontinuance of Franchisee's use of the name "Cannon Hygiene," or any related name used under this Agreement. Franchisee irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.

4. Cease using the telephone numbers listed in the Yellow Pages and White Pages of any telephone directories under the name "Cannon Hygiene" or any other confusingly similar name or, upon Franchisor's written demand, direct the telephone company to transfer the telephone numbers listed for the franchised Business in the Yellow Pages and White Pages to Franchisor or to any other person and location that Franchisor directs. If Franchisee does not promptly direct the telephone company to do so, Franchisee irrevocably appoints Franchisor as its attorney-in-fact to direct the telephone company to do so.

5. Immediately deliver to Franchisor all Units and all other property of Franchisor, including (without limitation) all training or other manuals furnished to Franchisee (including the Manual and Supplements to the Manual), computer software and database material, customer lists, lists of potential customers, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear Franchisor's Proprietary Mark or slogans or insignias or designs, advertising contracts, forms and other materials or property of Franchisor, and any copies of them in Franchisee's possession which relate to the operation of the franchised Business. Franchisee may retain no copy or record of any of these items, except for Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. Franchisee agrees that the foregoing items, materials, lists, files, software and other similar items will be deemed to be the property of Franchisor for all purposes.

6. Immediately return to Franchisor its entire inventory of Cannon GRASafe Fluid as of the date of termination or expiration. Franchisor will reimburse Franchisee for the proper and reasonable costs incurred by Franchisee in returning such inventory of Cannon GRASafe Fluid and will pay Franchisee the amount which Franchisee originally paid for such inventory.

7. Assign to Franchisor, for the consideration of \$1.00, by executing such documents as Franchisor may reasonably require, the benefit of such outstanding contracts, quotations and estimates for the provision of Cannon Hygiene services by Franchisee as Franchisor shall require.

8. In the event of termination for any default by Franchisee or of termination by Franchisee through failure to make payment following notice to cure (pursuant to Section 19.4), pay to Franchisor

all expenses it incurs as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees. This obligation will give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee or the franchised Business at the time of default and against any money of Franchisee held or otherwise in the possession of Franchisor.

9. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.

10. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in Article 14 of this Agreement, and continue to abide by those restrictions pertaining to the use of Franchisor's Confidential Information, trade secrets and know-how set forth in Article 13 of this Agreement.

11. Promptly upon termination or expiration, perform all reasonable redecoration and remodeling of the Premises as Franchisor considers necessary in its reasonable judgment to distinguish the Premises from a Cannon Hygiene Business Premises.

**20.2** The expiration or termination of this Agreement will be without prejudice to Franchisor's rights against Franchisee, and will not relieve Franchisee of any of its obligations to Franchisor at the time of expiration or termination, or terminate Franchisee's obligations which by their nature survive the expiration or termination of this Agreement.

## **21. WAIVER AND DELAY**

**21.1** No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by Franchisee under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

## **22. FRANCHISOR'S WITHHOLDING OF CONSENT – FRANCHISEE'S EXCLUSIVE REMEDY**

**22.1** In no event may Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Franchise Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

## **23. INJUNCTION**

**23.1** Franchisee explicitly affirms and recognizes the unique value and secondary meaning attached to the Cannon Hygiene System, the Proprietary Mark and the other Intellectual Property. Accordingly, Franchisee agrees that any non-compliance by Franchisee with the terms of this Agreement, or any unauthorized or improper use of the Cannon Hygiene System, the Proprietary Mark or the other Intellectual Property by Franchisee, will cause irreparable damage to Franchisor and other Cannon Hygiene franchisees. Franchisee therefore agrees that if it engages in this non-compliance, or unauthorized and/or improper use of the Cannon Hygiene System, Proprietary Mark or other Intellectual Property, during or after the period of this Agreement, Franchisor will be entitled to both

temporary and permanent injunctive relief against Franchisee from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law. Franchisee consents to the entry of these temporary and permanent injunctions.

## **24. INTEGRATION OF AGREEMENT**

**24.1** This Agreement and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Franchisee acknowledges that it is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of its own independent investigation of the franchised Business and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, independent contractors or other Cannon Hygiene franchisees which are contrary to the terms set forth in this Agreement or of any offering circular, prospectus, disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

**24.2** This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to the terms in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

## **25. NOTICES**

**25.1** Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by documented overnight delivery with a reputable carrier; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

Cannon Hygiene Franchising (USA) Inc.  
1600 Shore Road, Suite A  
Naperville, Illinois 60563  
Attention: Norman Haworth, Chairman and President

With a copy to:

Cannon Hygiene International Limited  
Middlegate, White Lund Estate  
Lancashire, LA3 3BJ  
United Kingdom  
Attention: James I. Harber, Financial Director

And a copy to:

Kaufmann, Feiner, Yamin, Gildin & Robbins LLP  
777 Third Avenue  
New York, New York 10017  
Attention: David J. Kaufmann, Esq.

**25.2** Any notice to Franchisee shall be addressed to Franchisee at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Either party to this Agreement may, in writing, on ten days notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

## **26. MISCELLANEOUS**

### **26.1 Construction and Interpretation; Further Acts**

A. The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement.

B. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Franchisee.

C. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

D. Since the words "Franchisor" and "Franchisee" in this Agreement may be applicable to one or more parties, the singular will include the plural, and the masculine will include the feminine and neuter. If more than one party or person is referred to as "Franchisee" under this Agreement, then their obligations and liabilities under this Agreement will be joint and several.

E. All references in this Agreement to "Sections" will refer to Sections of this Agreement, and all references to "Exhibits" in this Agreement will refer to Exhibits attached to this Agreement.

F. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

G. Each reference in this Agreement to a corporation or partnership will also refer to a limited liability company and any other entity or similar organization. Each reference to the organizational documents, shareholders, directors, officers and stock of a corporation in this Agreement will also refer to the functional equivalents of the organizational documents, shareholders, directors, officers and voting rights, as applicable, in the case of a limited liability company or any other entity or similar organization.

### **26.2 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section,

sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) unreasonable, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

## **27. COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; VENUE**

### **27.1 Costs of Enforcement**

Franchisor will be entitled to recover from Franchisee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Franchisor prevails in any action instituted against Franchisee to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement.

### **27.2 Attorneys' Fees**

If Franchisor becomes a party to any action or proceeding concerning this Agreement, the franchised Business, or the Premises due to any act or omission of Franchisee or its authorized representatives and not to any act or omission of Franchisor or its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding with respect to Franchisee or the franchised Business, then Franchisee will be liable to Franchisor for the reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in the action or proceeding, regardless of whether the action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Franchisee.

### **27.3 Governing Law**

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised Business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision will be interpreted and construed under the laws of that state. Nothing in this Section 27.3 is intended to invoke the application of any franchise or similar law, rule or regulation of the State of New York or any other state, which would not otherwise apply.

### **27.4 Venue**

Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in New York, New York. Franchisee agrees that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in New York, New York.

## **27.5 Punitive Damages**

In no event will Franchisor be liable to Franchisee for punitive damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement.

## **28. EXECUTION OF GUARANTEE**

**28.1** If Franchisee is an entity, each of Franchisee's principals, shareholders and/or owners shall, concurrently with the execution of this Agreement, execute Franchisor's standard form Guarantee (Exhibit C), pursuant to which these individuals guarantee all obligations and duties of Franchisee. Franchisee shall not be a limited partnership or trust.

## **29. SURVIVAL**

**29.1** Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

## **30. ACKNOWLEDGMENTS**

**30.1** Franchisee acknowledges, warrants and represents to Franchisor that:

1. No representation has been made by Franchisor (or any employee, agent or salesperson of Franchisor) and relied on by Franchisee as to: (i) the future or past income, expenses, sales volume or potential profitability, earnings or income of the franchised Business, or any other Cannon Hygiene Business (other than the information provided in Item 19 of Franchisor's Uniform Franchise Offering Circular), or (ii) the anticipated income, earnings and growth of Franchisor or the Cannon Hygiene System, or the viability of the business opportunity being offered under this Agreement.

2. Before executing this Agreement, Franchisee has had the opportunity to contact all existing franchisees of Franchisor.

3. Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement, using the services of legal counsel, accountants or other advisers (if Franchisee so elects) of its own choosing. Franchisee has been advised to consult with its own advisers with respect to the legal, financial and other aspects of this Agreement, the franchised Business, and the prospects for that Business. Franchisee has either consulted with these advisers or has deliberately declined to do so.

4. Franchisee has received from Franchisor a copy of Franchisor's Uniform Franchise Offering Circular, together with a copy of all proposed agreements relating to the sale of the franchise, at least ten business days before the execution of this Agreement or at least ten business days before the payment by Franchisee to Franchisor of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

5. No representation or statement has been made by Franchisor (or any employee, agent or salesperson of Franchisor) and relied on by Franchisee regarding Franchisee's ability to procure

any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the franchised Business.

6. The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which afford Franchisee the opportunity to derive income from other endeavors.

7. Franchisee affirms that all information set forth in all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee expressly acknowledges that Franchisor is relying on the truthfulness, completeness and accuracy of this information.

### 31. SUBMISSION OF AGREEMENT

32. The submission of this Agreement does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by Franchisor and Franchisee. The date of execution by Franchisor will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO HIM OTHER THAN THOSE SET FORTH IN FRANCHISOR'S UNIFORM FRANCHISE OFFERING CIRCULAR, AND THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO FRANCHISEE, FRANCHISEE IS NOT RELYING ON THEM. FRANCHISEE HAS READ ALL OF THE FOREGOING AGREEMENT AND ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

Dated: \_\_\_\_\_

FRANCHISEE:

Attest:

If a corporation:

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Name of Corporation)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

Attest:

By: \_\_\_\_\_

FRANCHISOR:

CANNON HYGIENE FRANCHISING (USA) INC.

By: \_\_\_\_\_



## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions shall supersede and apply:

1. The following language will appear at the end of Section 27.4 of the Franchise Agreement:

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

2. No release language set forth in the Franchise Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
3. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.
4. Franchisor will protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. The second sentence of Section 14.3 of the Franchise Agreement is amended to read as follows:

"Accordingly, Franchisee consents to the seeking of an injunction prohibiting any conduct by Franchisee in violation of the terms of those covenants not to compete set forth in this Agreement."

6. The third sentence of Section 23.1 of the Franchise Agreement is amended to read as follows:

"Franchisee therefore agrees that if he engages in this non-compliance, or unauthorized and/or improper use of the Cannon Hygiene System or Proprietary Marks, during or after the period of this Agreement, Franchisor will be entitled to seek both temporary and permanent injunctive relief against Franchisee from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law. Franchisee consents to the seeking of these temporary and permanent injunctions."

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CANNON HYGIENE FRANCHISING (USA) INC.

By: \_\_\_\_\_

## NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Offering Circular or Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold under the laws of the State of New York:

1. The last sentence of the second paragraph of Section 7.1 of the Franchise Agreement is hereby amended to read as follows:

"The Manual and any additions, deletions, revisions or Supplements to the Manual will not materially alter Franchisee's rights and obligations under this Agreement or place an excessive economic burden on Franchisee's operations."

2. Sections 15.1(6) and 16.4 (A) (9) of the Franchise Agreement are each hereby amended to include the following language immediately following the requirement that Franchisee execute a General Release:

"Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied."

3. The second sentence of Section 14.3 of the Franchise Agreement is hereby amended to read as follows:

"Accordingly, Franchisee hereby consents to the seeking of an injunction prohibiting any conduct by Franchisee in violation of the terms of those covenants not to compete set forth in this Franchise Agreement."

4. The third sentence of Section 23.1 of the Franchise Agreement is amended to read as follows:

"Franchisee therefore agrees that if it should engage in any such non-compliance, or unauthorized or improper use of the Cannon Hygiene System or Proprietary Marks, during or after the period of this Agreement, Franchisor will be entitled to seek both temporary and permanent injunctive relief against Franchisee from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law, and Franchisee hereby consents to the seeking of these temporary and permanent injunctions."

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CANNON HYGIENE FRANCHISING (USA) INC.

By: \_\_\_\_\_