



**Canon Hygiene**



**CANNON HYGIENE FRANCHISING (USA) INC.  
UNIFORM FRANCHISE OFFERING CIRCULAR**

**1600 Shore Road, Suite A  
Naperville, Illinois 60563  
(630) 753-9625**

**INFORMATION FOR PROSPECTIVE FRANCHISEES  
REQUIRED BY THE FEDERAL TRADE COMMISSION**

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To protect you, we've required your franchisor to give you this information. We haven't checked it and don't know if it's correct.

It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

**Federal Trade Commission  
Washington, D.C. 20580**

**Date Issued:**

**The effective dates of this Offering Circular in the States of California, Minnesota and New York are set forth on these States' receipts.**

**For Use in the States of California, Minnesota and New York**



## FRANCHISE OFFERING CIRCULAR

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

**A Delaware Corporation**

**1600 Shore Road, Suite A**

**Naperville, Illinois 60563**

**Telephone number: (630) 753-9625**

The franchisee's business will install and service disposal units for the safe, hygienic and discreet disposal of sanitary napkins, tampons, babies' diapers and incontinence waste at customer's locations.

The initial franchise fee is \$5,000. The estimated initial investment required is from \$34,140 to \$43,540 (excluding real property).

**INFORMATION ABOUT COMPARISONS OF FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT 3 OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**

**REGISTRATION OF THIS FRANCHISE WITH THE STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THE OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE STATE ADMINISTRATOR LISTED ON EXHIBIT 3.**

#### **SPECIAL RISK FACTORS:**

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE ONLY IN NEW YORK, NEW YORK. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE IN NEW YORK, NEW YORK THAN IN YOUR HOME STATE. YOUR STATE LAW MAY SUPERSEDE THIS PROVISION AND IT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE SPECIAL STATE DISCLOSURES IN THE STATE ADDENDA TO THE FRANCHISE AGREEMENT AND OFFERING CIRCULAR.
2. THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. YOUR STATE LAW MAY SUPERSEDE THIS PROVISION AND IT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE SPECIAL STATE DISCLOSURES IN THE STATE ADDENDA TO THE FRANCHISE AGREEMENT AND OFFERING CIRCULAR.
3. ALTHOUGH CANNON HYGIENE LIMITED, AN AFFILIATE OF THE FRANCHISOR, HAS OPERATED A BUSINESS SELLING DISPOSAL SERVICES FOR SANITARY NAPKINS, TAMPONS, BABIES' DIAPERS AND INCONTINENCE WASTE SINCE 1955 AND HAS FRANCHISED THESE BUSINESSES SINCE 1984, AND TWO OTHER AFFILIATES, CANNON HYGIENE, INC. AND CANNON HYGIENE/AWI OF VIRGINIA LLC, HAVE CONDUCTED BUSINESSES OF THIS TYPE IN ILLINOIS SINCE 1996 AND IN VIRGINIA SINCE 1997, RESPECTIVELY, CANNON HYGIENE FRANCHISING (USA) INC. – THE FRANCHISOR – HAS NOT PREVIOUSLY GRANTED FRANCHISES, AND HAS NOT OPERATED A BUSINESS OF THIS TYPE. THEREFORE, THERE IS ONLY A BRIEF

OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

The effective date of this Offering Circular in the states of California, Minnesota and New York are set forth on those states' receipts.

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**EXHIBIT 1 CANNON HYGIENE FRANCHISING (USA) INC. FRANCHISE AGREEMENT AND RELATED MATERIALS**

**STATE ADDENDA TO FRANCHISE AGREEMENT**

- EXHIBIT A - FRANCHISED TERRITORY; PREMISES LOCATION; ANNUAL MINIMUM UNIT REQUIREMENT**
- EXHIBIT B - CONFIDENTIALITY/NON-COMPETITION AGREEMENT**
- EXHIBIT C - GUARANTEE**
- EXHIBIT D - PRINCIPAL SHAREHOLDER'S UNDERTAKING**
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**EXHIBIT 2 FINANCIAL STATEMENTS**

**EXHIBIT 3 STATE ADMINISTRATORS**

**EXHIBIT 4 AGENTS FOR SERVICE OF PROCESS**

**EXHIBIT 5 STATE ADDENDA TO OFFERING CIRCULAR**

**EXHIBIT 6 CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES**

**EXHIBIT 7 RECEIPT**

## ITEM 1

### THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular, "Cannon" means Cannon Hygiene Franchising (USA) Inc., the franchisor. "You" means the individual, corporation or partnership who buys the franchise. If the franchise will operate through a corporation or partnership, "you" also includes the franchisee's owners or partners. Cannon's agent for service of process in the states whose franchise laws require Cannon to name a state agency as agent for service is shown on Exhibit 4.

Cannon is a Delaware corporation incorporated in January, 1999, which does business under the names "Cannon Hygiene" and "Cannon". Cannon's principal business address is 1600 Shore Road, Suite A, Naperville, Illinois 60563 and its telephone number is (630) 753-9625.

Cannon franchises businesses selling personal hygiene disposal services through the installation, reinstallation and routine servicing of disposal units for the safe, hygienic and discreet disposal of sanitary napkins, tampons, babies' diapers and incontinence waste (the "Cannon Hygiene Businesses" or the "Businesses"). Cannon has no predecessors.

Cannon is a subsidiary of Cannon Hygiene (USA), Inc. ("Cannon USA"), a Delaware corporation incorporated in March, 1993, with its principal business address at Middlegate, White Lund Estate, Morecambe, Lancashire, LA3 3BJ, United Kingdom, telephone number 011-44-1524-60894. Cannon USA is a holding company which does not directly engage in business activities.

Cannon is an affiliate of Cannon Hygiene International Limited ("Cannon International"), a company incorporated in the United Kingdom in 1994, with its principal business address at Middlegate, White Lund Estate, Morecambe, Lancashire, LA3 3BJ, United Kingdom. Cannon International is a subsidiary of Cannon Hygiene Limited ("Cannon Limited"), a company incorporated in the United Kingdom in 1976, with its principal business address at Middlegate, White Lund Estate, Morecambe, Lancashire, LA3 3BJ, United Kingdom. Cannon Limited is a subsidiary of O.C.S. Group Limited, a company incorporated in the United Kingdom in 1977, with its principal business address at 79 Limpsfield Road, Sanderstead, Surrey CR2 9LB, United Kingdom.

Cannon's affiliate Cannon Limited, which owns the Cannon System and the proprietary marks and other intellectual property used in the Cannon Hygiene System, and Cannon Hygiene (USA), (which has an exclusive license from Cannon Limited to use and sublicense the Cannon Hygiene proprietary marks, other intellectual property and System in the United States), have licensed Cannon to use the System, marks and other intellectual property and to sublicense them to franchisees in a cross-license agreement dated as of April 1, 1999. The principal address of Cannon Hygiene (USA) Inc. is Middlegate, White Lund Estate, Morecambe, Lancashire, LA3 3BJ, United Kingdom, and its telephone number is 011-44-1524-60894.

Cannon Limited has operated a business of this type since 1955, and has sold franchises for a business of this type since 1984. Cannon Limited conducts more than 400,000 services monthly within the United Kingdom at approximately 110,000 customer locations from 25 company-owned Cannon Hygiene service centers. Cannon Limited also operates company-owned Cannon Hygiene centers in Canada, France, Hong Kong, India, the Netherlands, Portugal, South Africa, Spain, Finland, Switzerland and Norway, and has granted franchises for Cannon Hygiene Businesses in the following countries at the date of this Offering Circular: Andorra, Australia, Cyprus, Denmark, El Salvador, Guadeloupe, Italy, Jamaica, Japan, Malta, Mauritius, Mexico, Portugal, Peru, Spain, Sweden, St Lucia and Turkey. Cannon Limited expects to grant franchises in Brazil, Isle Reunion, Mexico and Turkey in the next year.

In addition, Cannon Hygiene, Inc., an affiliate of Cannon, has conducted a business similar to the type being franchised in Illinois since 1996. The principal address of Cannon Hygiene, Inc. is 1600 Shore

Road, Suite A, Naperville, Illinois 60563 , and its telephone number is (630) 753-9625. Another affiliate of Cannon, Cannon Hygiene/AWI of Virginia LLC ("Cannon Hygiene Virginia LLC"), a joint venture company partially owned by Cannon USA, has operated a business similar to the type being franchised in Norfolk, Virginia, since 1997. The principal business address of Cannon Hygiene Virginia LLC is 508E Indian River Road, Norfolk, Virginia 23523, and its telephone number is (757) 543-7261.

Neither Cannon, Cannon USA or Cannon's other affiliates have offered franchises for any other type of business.

Your franchised Cannon Hygiene Business will install and service disposal units for the safe, hygienic and discreet disposal of sanitary napkins, tampons, babies' diapers and incontinence waste at your customer's locations. The disposal units used in the Cannon Hygiene System (the "Units") are proprietary to Cannon. You will fill and refill the Units with a proprietary fluid (the "Cannon GRASafe Fluid") at your center before installing and reinstalling them at customer locations. The chemical formula of the Cannon GRASafe Fluid is proprietary to Cannon's designated manufacturer and is a trade secret known only to the manufacturer, Cannon and its affiliates. The manufacturer imparted the formula to Cannon and its affiliates under obligations of secrecy and confidence.

The market for your services consists of all businesses and institutions with female employees, customers or visitors, and may also include businesses which require disposal of babies' diapers and/or incontinence waste.

You will compete with other personal hygiene disposal service providers. In addition, at many locations which could retain the services of a personal hygiene disposal provider, cleaners employed by the location or a cleaning service empty untreated waste receptacles.

The U.S. Department of Labor, the Occupational Safety and Health Act ("OSHA") and the regulations promulgated under OSHA require your customers to make adequate provisions for the disposal of personal hygiene waste. Cannon is unaware of any other regulations specific to the industry in which the franchised business will operate. The laws, rules and regulations which apply to businesses in general will affect you. Consult your lawyer about them.

## ITEM 2

### BUSINESS EXPERIENCE

#### **Chairman and President: Norman Haworth**

Mr. Haworth has served as Chairman of the Board of Directors and President of Cannon since its incorporation in January, 1999. Mr. Haworth has also served as Chairman of Cannon Limited since April, 1995 and as Managing Director of Cannon Limited since October, 1983. Mr. Haworth has served as Chairman and Managing Director of Cannon International since its incorporation in 1994. In addition, Mr. Haworth has served as a Director of O.C.S. Group Limited with responsibility for the Group's hygiene division since April, 1988. Mr. Haworth served as Sales Director of Cannon Limited between July, 1967 and October, 1983. Mr. Haworth has been employed by Cannon Limited in various capacities since 1964.

#### **Vice President, Treasurer and Secretary: James I. Harber**

Mr. Harber has served as Vice President, Treasurer and Secretary of Cannon since its incorporation. Mr. Harber has also served as a Director of Cannon Limited since April, 1991 and as a Director of Cannon International since October, 1996.

**Account Manager: Steven Plevy**

Mr. Plevy has served as an Account Manager of Cannon since its incorporation. Mr. Plevy has also served as an International Accounts Manager of Cannon International since April, 1997, and has served as a Franchise Consultant for Cannon Limited since October, 1994. Mr. Plevy has been employed by Cannon Limited in various capacities since 1988.

**Account Manager: Gavin Haworth**

Mr. Haworth has served as an Account Manager of Cannon since its incorporation. Mr. Haworth has also served as an International Accounts Manager of Cannon International since April, 1997, and has served as a Franchise Consultant for Cannon Limited since April, 1994. Mr. Haworth has been employed by Cannon Limited in various capacities since 1990.

Cannon uses no franchise brokers.

**ITEM 3**

**LITIGATION**

Other than the three actions described below, there is no litigation that must be disclosed in this offering circular.

In Re Cannon Hygiene/AWI of Virginia LLC, Cannon Hygiene, Ltd., Cannon Hygiene International and Cannon Hygiene USA, Inc., Environmental Protection Agency, Region III, Docket No. FIFRA 3-2000-0002. On December 16, 1999, Cannon Limited, Cannon International, Cannon USA and Cannon Hygiene Virginia LLC (referred together as the "Cannon affiliates" in this paragraph) executed a Consent Agreement and Final Order in an Environmental Protection Agency ("EPA") administrative action. The EPA alleged that the Cannon affiliates violated the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") by distributing and selling their HiQ product as a pesticide without registering HiQ with the EPA and by producing HiQ at their Virginia facility without registering the facility with the EPA. Without admitting or denying the factual allegations and conclusions of law in the Consent Agreement and Final Order, the Cannon affiliates certified that they were in compliance with the relevant provisions of FIFRA and the regulations promulgated under that Act (the "FIFRA regulations") at the time they executed the Consent Agreement and Final Order, and agreed to pay a civil penalty of \$13,750 in full satisfaction of all claims for civil penalties for alleged violations under the relevant provisions of FIFRA and the FIFRA regulations. The Final Order became effective on December 30, 1999.

Cannon Hygiene Limited v. Caretech L.L.C., Dubai Civil Court, United Arab Emirates, Case No. 205/97, filed March 4, 1997. Cannon Hygiene, Cannon's affiliate, brought this suit against Caretech, its Dubai franchisee following termination of the franchise agreement for non-payment of franchise fees. Cannon Hygiene requested that the court confirm its ownership of the Cannon units used by Caretech. Caretech then petitioned for appeal to the Cassation Court of Dubai on the issue of the ownership of the units. On May 24, 1998, the Cassation Court of Dubai confirmed Cannon Hygiene's ownership of the units.

Cannon Hygiene Limited v. Masterclean CC, HB Beukes and National Hygiene. Supreme Court of South Africa, Cape of Good Hope, Case No. 10916/914, filed September 9, 1994. Cannon Limited, Cannon's affiliate, brought this suit against three related companies which had been its South African franchisees following Cannon Limited's termination of their franchises, seeking to enforce the post-termination covenants not to compete in the franchise agreements. The court entered a judgment in



favor of Cannon Limited on September 29, 1994. The defendants moved for leave to appeal the judgment to the Provincial Division of the Supreme Court of South Africa, Cape of Good Hope, but the court denied their motion on October 22, 1994. The defendants then petitioned for an appeal to the Appellate Division of the Supreme Court of South Africa, Cape of Good Hope. Their petition to appeal was dismissed by the Chief Justice on February 16, 1995.

#### **ITEM 4**

#### **BANKRUPTCY**

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

#### **ITEM 5**

#### **INITIAL FRANCHISE FEE**

All franchisees pay an Initial Franchise Fee of \$5,000.

You must pay the Initial Franchise Fee in full on the date you sign the Franchise Agreement. Cannon uses the proceeds from Initial Franchise Fees to defray a portion of its expenses in connection with the sale and establishment of franchises, such as: (1) costs related to developing and improving Cannon's services; (2) expenses of preparing and registering this Offering Circular; (3) legal fees; (4) accounting fees; (5) costs of obtaining and screening franchisees; and, (6) general administrative expenses.

Cannon will not refund any of the Initial Franchise Fee except under the following circumstances: If you are unable to obtain all government approvals, consents and licenses you need to lawfully open and operate the Cannon Hygiene Business by the scheduled opening date, you and Cannon each have the right to terminate the Franchise Agreement on notice to the other. If either of you does so, Cannon will return to you 75% of the Initial Franchise Fee and of any Unit Fees you paid Cannon (or 50% if Cannon has furnished its Initial Training Program to you), and you must bear all costs of shipping any Units you received from Cannon to the location within the United States Cannon designates.

Cannon will supply you with waste disposal Units for use in your Business, but Cannon will remain the owner of the Units. Before your Business opens, you must order at least 100 Units from Cannon (you must order the total number of Units shown on Exhibit A to your Franchise Agreement by the end of the first year following your scheduled opening date – see Item 6). As Item 6 describes in full, you will pay Cannon a monthly Unit Fee. Whenever you order Units, you must pay Cannon an advance payment equal to the Unit Fees for the Units you order for six months (the "Advance Payment"). You must also pay Cannon all shipping charges and any customs duties from the place where the Units are manufactured to your delivery destination. You must also purchase an opening inventory of Cannon GRASafe Fluid from Cannon International before your Business opens (see Item 6). The approximate cost for the initial 100 Units and the opening inventory of Cannon GRASafe Fluid is \$3,000, plus shipping.

Cannon provides you with the first two uniforms and your first set of signs free of charge. If you wish to purchase other uniforms and/or signs from Cannon, you may do so, or you may purchase uniforms and signs from any supplier which Cannon approves and which meets its specifications (see Item 8). Cannon's current price for uniforms is \$70 per uniform, and its current price for a set of signs is \$300.

You pay Cannon no other fees or payments for services or goods before your Business opens.

**ITEM 6**  
**OTHER FEES\***

Name of fee	Amount	Due Date	Remarks
Unit Fees	Current fees: Model A and B Units – \$3.00 per Unit per month Model C Units, \$3.50 per Unit per month Foot pedals for Model A and B Units – \$0.57 per Unit per month. Foot pedals for Model C Units – \$0.71 per Unit per month. Plus shipping charges from U.S. location which Cannon designates (currently Naperville, Illinois).	Advance Payment for the first six months; then payable monthly on the last day of the month	The applicable rate for each type of Unit will increase annually on April 1 by the percentage of increase in the Consumer Price Index ("CPI") during the preceding twelve months. You must send an Advance Payment to Cannon with each order for Units. The Advance Payment is equal to the Unit Fees for the requested Units for six months. See Note 1.
Cannon GRASafe Fluid	Currently \$87.00 per 200 sachets, plus shipping costs from U.S. location which Cannon designates (currently Naperville, Illinois) and all applicable taxes. See Note 2.	Within 30 days after products clear customs at U.S. See Note 2.	You must buy the Cannon GRASafe Fluid from Cannon. See Note 2 and Item 8.
Uniforms (purchase from Cannon is optional)	Cannon's current price: \$70 per uniform.	When you order uniforms from Cannon.	Cannon provides you with the first two sets of uniforms free of charge. If you wish to purchase other uniforms from Cannon, you may do so.
Signs (purchase from Cannon is optional)	Cannon's current price: \$300 for a set of signs.	When you order signs from Cannon.	Cannon provides you with your first set of signs free of charge. If you wish to purchase other signs from Cannon, you may do so.
Initial and Subsequent Training	Travel and transportation expenses only. See remarks.	As incurred.	No charge for Initial training for your personnel. Your Business Manager and all Business Managers appointed later must pass the Initial Training Program. You pay all travel and transportation expenses, but Cannon will pay for the meals, lodging and other living expenses of your trainees.
On-Site Training and Assistance	\$100 per day	When Cannon requests	You can request on-site training and/or assistance at any time. Cannon is not obligated to provide on-site training and/or assistance. You must communicate the request to Cannon in accordance with guidelines. For each day of on-site training or assistance, Cannon can impose a fee.

\* Unless otherwise specified, Cannon or its affiliates impose all the fees in this table, you pay them to Cannon or its affiliate, and Cannon (or its affiliate) does not refund them.

Name of fee	Amount	Due Date	Remarks
On-Going Training	Travel and transportation expenses only. See remarks.	As incurred.	If Cannon holds an annual conference, convention or training session, you and your Business Manager must attend if Cannon requires attendance. No training charge, but you pay all travel and transportation expenses. Cannon will pay for the meals, lodging and other living expenses of your trainees.
Insurance	Estimated premium – \$100 per month	As insurance agent requires	See Note 3. If you fail to buy required insurance, Cannon may pay premiums and charge you for them. Premiums set by insurance company. Your premiums will depend in part on your claims experience. Cannon expects companies may raise premiums by amount of inflation in insurance industry and any increases in their costs above inflation (due to material shortages, natural disasters, strikes, Acts of God, etc.).
Taxes		Promptly when due	See Note 4.
Proprietary Computer Software (not developed or adopted at this time)	Because Cannon has not yet developed or adopted proprietary software. Cannon has not established prices for future updates or revisions, new or upgraded software or materials.	New or updated software and related materials - when ordered.	If Cannon decides to adopt proprietary software for the Cannon Hygiene System, then you must use Cannon's proprietary computer software. The Initial Franchise Fee will include the software purchase price, but you must pay for any future updates or revisions, and you must buy new or upgraded software and related materials from Cannon if it adopts them system-wide, at the prices Cannon sets. See Item 11.
Advances		When Cannon requests	You must pay Cannon all amounts it advances to third parties for you.
Late Charge	Maximum law allows, or if no legal maximum, then 4% above prime rate	When Cannon requests	Late charge on any past due amounts owed to Cannon. Cannon will not increase charge beyond formula in column 2 during term of Franchise Agreement.
Renewal Fee	\$2,000	Before Cannon signs Renewal Agreement.	See Item 17.
Transfer Fee	\$5,000	Before Cannon approves the transfer.	See Item 17.
Indemnification of Cannon			You indemnify Cannon from certain losses and expenses – see Section 8.12 of the Franchise Agreement.
Application of Funds			Cannon can apply your payments to the oldest obligation due.
Attorneys' Fees			See Note 5.

### NOTES

- [1] Model A and Model B Units” are 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 applicable rate for each type of Unit will increase annually,

effective April 1 of each year, by the percentage of increase in the Consumer Price Index ("CPI") during the preceding twelve months. The rate for a Unit which has already been delivered to you will be the rate in effect on the first day of the calendar month following the calendar month during which the Unit was actually delivered to you. The rate for a Unit expected to be delivered during the following calendar month will be the rate which will be in effect on the first day of that month. The Unit Fee may not be prorated for partial months.

You must send an Advance Payment to Cannon with each order for Units. The Advance Payment must be equal to the Unit Fees for the requested Units for six months. If you do not enclose an Advance Payment with your order for Units, Cannon can refuse to deliver the requested Units, and Cannon will not include the requested Units in your Annual Minimum Unit Requirement (see Item 12). If the order, date of delivery or any portion of the six months following the date of delivery falls after April 1 but before Cannon has informed you of the amount of the increase, then you must remit the additional Advance Payment owed to Cannon promptly after Cannon informs you of the amount of the increase. Cannon will credit the Advance Payment towards the Unit Fees for the Units in question for the last six months of the Use Periods of the Units.

The "Use Period" for a Unit means the period between (1) the date of its "deemed delivery" and (2) the fifth anniversary of its deemed delivery or, if sooner, the date of expiration or termination of the Franchise Agreement. A Unit will be deemed delivered on the first day of the calendar month following the calendar month during which it is actually delivered to you. You must retain all Units which you obtain from Cannon for their Use Period and no longer. On the expiration of the Use Period for each Unit, you must ship the Unit back to Cannon's headquarters. You must pay the costs of shipment to you from a location in the U.S. which Cannon designates (currently Naperville, Illinois).

If you are in default under the Franchise Agreement, Cannon will have no obligation to supply Units to you.

[2] You must purchase the Cannon GRASafe Fluid you will use to fill and refill the Units from Cannon. Cannon can raise its prices at any time on notice to you, but Cannon must maintain the prices in effect on the day your Business commences operations for six months following the commencement of operations of your Business. You will have to pay shipping costs from a location in the U.S. which Cannon designates (currently Naperville, Illinois) and all applicable taxes. Cannon will sell you all Cannon GRASafe Fluid at the same prices as paid by other U.S. franchisees of Cannon who are similarly situated. Cannon does not expect to increase its prices beyond inflation in the applicable industry segment unless its costs increase due to shortages, catastrophes, strikes, Acts of God, or other causes beyond its control.

You must pay for Cannon GRASafe Fluid within 30 days after the products clear customs at their place of importation in the United States. However, Cannon will have the right to demand payment in full for Cannon GRASafe Fluid (including, if Cannon elects to arrange for shipment, estimated shipping charges, VAT and applicable taxes and duties) at the time you place an order and before the Cannon GRASafe Fluid are loaded for shipment.

You must pay for all Cannon GRASafe Fluid in U.S. dollars by (at Cannon's option) check or bankers draft payable to Cannon or by wire transfer or other form of electronic transfer to Cannon's designated bank account in the United Kingdom.

Cannon will have no responsibility to ship Cannon GRASafe Fluid to you. Cannon will sell you Cannon GRASafe Fluid F.O.B. their place of manufacture or other locations that Cannon may designate. Cannon may (but need not) arrange shipment to you for your convenience. Cannon will have no responsibility for the selection or actions of a carrier. You waive any claim against Cannon related to shipment or the selection of a carrier.

Your only remedy and Cannon's only liability for claims concerning delivered Cannon GRASafe Fluid, for delayed delivery or for non-delivery, will be the purchase price of the Cannon GRASafe Fluid (plus any shipping costs you paid) or, if Cannon wishes, the replacement of the Cannon GRASafe Fluid at your destination. Cannon will not be liable for special, incidental, indirect or consequential damages, whether or not from Cannon's negligence.

If you are in default under the Franchise Agreement, Cannon will have no obligation to sell Cannon GRASafe Fluid or non-proprietary products (such as uniforms and signs), equipment or services to you.

You must also purchase other commercially available, non-proprietary products and services for the franchised Business. Cannon may offer to sell you some of these on a non-exclusive basis.

You must 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 your customers with reasonable efficiency.

[3] You must maintain the following insurance:

1. Broad form comprehensive general liability coverage, and broad form contractual liability coverage of at least \$1,000,000 aggregate. This insurance may not have a deductible or self-insured retention of more than \$5,000.
2. Adequate Fire and Extended Coverage Insurance on your Premises and property to replace after 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 (a) the amount required by all applicable state and federal laws, or (b) \$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 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 governing law requires), for your employees.

If you fail to purchase the required insurance, Cannon may obtain the insurance for you. Cannon has no duty to do so. If Cannon obtains insurance for you, you must pay

the premiums or reimburse Cannon for them. Cannon can change the required coverages and amounts.

- [4] You must pay all amounts you pay Cannon (or its affiliates) free and clear of, and without deduction or withholding for any Taxes. See Franchise Agreement for definition of the term "Taxes". If you must deduct or withhold any Tax under applicable law on any amounts payable to Cannon (or its affiliates), you must pay Cannon (or the affiliate) whatever additional amount may be necessary so that the net amount Cannon (or its affiliate) receives after the required deduction or withholding (including any required deduction or withholding on the additional amount) equals the amount that Cannon (or its affiliate) would have received if there had been no deduction or withholding.

If Cannon (or its affiliates) obtains any relief from or credit against any Taxes asserted against it in any country because of any Taxes for which there has been a deduction or withholding in another country and for which you made additional payments to Cannon (or its affiliate), then Cannon (or the affiliate) will repay you the part of their net amount of the total credits or reliefs from Taxes as Cannon considers fairly and reasonably attributable to the deduction or withholding.

You must pay Cannon all taxes it pays on account of (a) services or goods it furnishes to you, or (b) the Initial Franchise Fee or Continuing Royalties you pay.

- [5] If Cannon becomes a party to a proceeding concerning an agreement between Cannon and you, and Cannon wins, or if Cannon becomes a party to litigation or insolvency proceedings regarding your franchise, then you will be liable for Cannon's reasonable attorneys' fees and court costs.

If Cannon terminates the Franchise Agreement for your default, or if you terminate the Agreement through non-payment (see Item 17, section d.), you must pay Cannon all its expenses from your default or termination, including reasonable attorneys' and experts' fees.

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**ITEM 7**  
**INITIAL INVESTMENT\***

<b>CATEGORY OF INVESTMENT</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAID</b>
INITIAL FRANCHISE FEE	\$5,000 (See Item 5 and Note 1)	Lump Sum	When you sign the Franchise Agreement	Cannon
REAL PROPERTY	See Note 2			
CONSTRUCTION/ LEASEHOLD IMPROVEMENT	0 - \$2,000	See Note 3	As seller or landlord requires	As seller or landlord requires
OFFICE EQUIPMENT & SUPPLIES	0 - \$2,500 See Note 4	As sellers require	As sellers require	Sellers
EQUIPMENT	\$8,000 See Note 5	As seller requires	As seller requires	Seller
UNITS AND CANNON GRASAFE FLUID	\$3,000 See Note 6	Lump sum	Before opening	Cannon
UNIFORMS	\$140 See Note 7.	When you order from Cannon or as seller requires	When you order from Cannon or as seller requires	Cannon or other seller
VEHICLE/ TRANSPORTATION	\$2,400 See Note 8.	As seller or lessor requires	As seller or lessor requires	Seller or lessor
SIGNS	\$300 See Note 9.	When you order from Cannon or as seller requires	When you order from Cannon or as seller requires	Cannon or other seller
ORGANIZATIONAL EXPENSE	\$1,000 - \$5,000 See Note 10	As you agree with accountant/attorney	As you agree with accountant/attorney	Accountant/ Attorney
PERMITS AND LICENSES	\$500 - \$1,000 See Note 11	As agency requires	As agency requires	
INSURANCE	\$300 See Note 12	As Agent requires	Before opening	Agent
TRANSPORTATION FOR TRAINING	\$500 - \$900 See Note 13	As airline requires	As airline requires	Airline

\* None of the expenses described in this chart is fully refundable. Cannon does not expect the costs of items you purchase from third parties to rise faster than general inflation, but cannot guarantee this, since a third party's costs will go up with inflation in its industry segment and because of material shortages, natural catastrophes, strikes, Acts of God, and other causes beyond their control.

CATEGORY OF INVESTMENT	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
ADDITIONAL FUNDS (3 months)	\$13,000 See Note 14	As expenses occur	Payroll weekly, other purchases according to agreed-on terms	Employees, sellers of goods and services
<b>TOTAL</b>	<b>\$34,140 to \$43,540 (Note 15)</b> (excluding real property)			

### NOTES

- [1] See Item 5 for circumstances when Cannon refunds the Initial Franchise Fee. Cannon does not finance any fee.
- [2] If you do not have acceptable space for your Premises, you will have to lease approximately 2,000 square feet in a suitable industrial building for a Premises Location. Your Premises Location is likely to be on the outskirts of a city or town, at a site with easy access to the city or town. Since real estate values vary dramatically from region to region based on factors such as size, condition and location of the Premises, Cannon cannot accurately estimate your rent, but annual rental costs range from approximately \$18,000 to \$20,000 or more per month for a Premises Location. To estimate the rental expense for your Premises Location, apply the above square footage requirements to the local real estate rental costs in the area in your Territory where there are suitable buildings.
- [3] You may already have an appropriate Premises, or your cost of construction or leasehold improvement for your Premises may be minimal. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and how many of those costs the landlord will pay (if any).
- [4] You will probably have only minimum expenses for office equipment and supplies, since you probably already possess a desk, chair, file cabinet, typewriter, telephone and desk-top calculator. The high figure on the table shows the cost of acquiring these items.
- [5] The only equipment (other than the Units) required for your Business will be an industrial washing machine, which you will use to wash the Units. You must purchase washing machines from an approved supplier. The specifications for the washing machine are in the Manual.
- [6] Cannon will supply you with waste disposal Units for use in your Business, but Cannon will remain the owner of the Units. Before your Business opens, you must order at least 300 Units, and you must order a total of 600 Units by the end of the first year following your scheduled opening date. You must pay Cannon an Advance Payment equal to the Unit Fees for the Units you order for six months. The figure on the chart is for 300 Units (your initial minimum order can be of any type or combination of types of Units). In addition to the estimates shown on the chart, you must pay Cannon all shipping charges. The figure shown also includes the initial supply of Cannon GRASafe Fluid which you must order. Cannon GRASafe Fluid currently costs \$87.00 per 200 sachets. In addition, you must pay shipping costs and all applicable taxes.



- [7] You must provide uniforms for your employees. Cannon provides you with the first two sets of uniforms. If you wish to purchase other uniforms from Cannon, you may do so. You may instead purchase uniforms from any supplier which Cannon approves and which meets its specifications (see Item 8). Cannon's current price for uniforms is \$70 per uniform. The estimate shown is for two uniforms.
- [8] The figure shown on the table is the lease cost for an average van or truck for three months, plus the estimated cost of gas for three months.
- [9] Cannon provides you with your first set of signs free of charge. If you wish to purchase other signs from Cannon, you may do so. Cannon currently charges \$300 per set of signs.
- [10] Actual cost dependent on work done by accountant and attorney, and standard regional rates.
- [11] As states and localities require.
- [12] Three months' premium for required insurance coverage – see Item 6.
- [13] Travel expenses depend on where your home base is located, whether you and your trainees can commute by car to Cannon's training base, and the number of people you wish to receive Initial Training. Cannon pays lodging and food expenses for your trainees.
- [14] The estimate of additional funds for the initial phase of your Business is based on your staff salaries and operating expenses for the first three months of operation. The additional funds required will vary by your area; how much you follow Cannon's methods and procedures; your management skill, experience and business acumen; the relative effectiveness of your staff; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period. You must provide security deposits for utilities and rent (and possibly for other items).
- [15] Cannon and its affiliates do not finance your initial investment. In compiling these estimates Cannon relies on its affiliates' experience in operating and franchising similar businesses. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase Cannon GRASafe Fluid from Cannon. See Item 6. Cannon does not expect to increase its prices for Cannon GRASafe Fluid beyond inflation in the applicable industry segment unless its costs increase due to shortages, catastrophes, strikes, Acts of God, and other costs beyond its control.

Since Cannon has not yet granted any franchises, it currently receives no income from sales of Cannon GRASafe Fluid to franchisees by it or a designee, but Cannon will receive income from this source in the future.

You do not technically lease the Units from Cannon, but as part of the services Cannon provides to you under the Franchise Agreement, you obtain the Units from Cannon, Cannon retains title to them, and you pay Cannon a monthly Unit Fee for each Unit. Since Cannon has not previously sold franchises, it currently receives no income from franchisees' Unit Fees, but Cannon will receive income from this source in the future.

The Units and the Cannon GRASafe Fluid are the only items for which Cannon is currently the sole approved supplier.

The only items which you must purchase from suppliers approved by Cannon are washing machines, uniforms and signs. Cannon will offer to sell you these items, but you can buy them from any supplier approved by Cannon. If Cannon sells any of these items to franchisees, it will receive income from these sales. Since Cannon has not previously sold franchises, it currently receives no income from these sales to franchisees, but Cannon expects to receive income from this source in the future.

If Cannon requires supplier approval for a product or service and you propose a supplier, then to obtain Cannon's written approval:

- You must submit a written request to Cannon for approval of the supplier.
- The supplier must meet Cannon's specifications to Cannon's reasonable satisfaction.
- The supplier must demonstrate to Cannon's reasonable satisfaction that it is in good standing in the business community for financial soundness and reliability of its product or service.

Cannon has the right to test, at your expense, the product or service of any supplier you propose, whether or not the supplier is then approved by Cannon. Cannon will give you notice of its approval or disapproval within a reasonable time. If Cannon revokes approval of any supplier, it will give you written notice (in its Manual or otherwise). Cannon does not maintain written criteria for approving suppliers, and thus these criteria are not available to you or your proposed supplier.

Cannon issues and modifies specification through its Manual and will send you a written notices of any new and modified specifications. All items bearing the Cannon Hygiene logo must meet Cannon's specifications.

Cannon does not expect the prices you pay for purchases from third party suppliers to increase beyond inflation in the applicable industry segment unless the supplier's costs increase due to shortages, catastrophes, strikes, Acts of God, and other causes beyond its control.

You must purchase the required insurance – see Item 6.

You must maintain adequate inventory at all times of the Units, Cannon GRASafe Fluid and all other products and supplies to provide Cannon Hygiene services to your customers with reasonable efficiency.

At the date of this Offering Circular, Cannon does not require you to purchase a computer system, but Cannon intends to do so in the future. When Cannon directs, you must purchase and install the computer hardware, software, peripherals and accessories which Cannon specifies (Cannon has not yet developed these specifications). If Cannon decides to adopt proprietary software for the Cannon Hygiene System, then when Cannon directs, you must use Cannon's proprietary computer software and sign Cannon's standard form Software License Agreement (Exhibit G to the Franchise Agreement in this offering circular). See Item 11.

Cannon currently negotiates no purchase arrangements with suppliers for the benefit of franchisees. There are no purchasing or distribution cooperatives. Cannon provides you with no material benefits (such as renewal or granting additional franchises) based on your use of designated or approved sources. Cannon receives no payments from any supplier, nor does Cannon receive any special discount on purchases from any supplier for itself.

Cannon estimates that the required purchases and Unit Fees described above are 8% to 10% of the cost to establish a franchised Cannon Hygiene Business and approximately 15% of operating expenses.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Article 6 of Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Sections 7.7, 7.8, 8.7 and 8.8 of Franchise Agreement	Items 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6 of Franchise Agreement	None
d. Initial and ongoing training	Sections 7.2 and 7.3 of Franchise Agreement	Item 11
e. Opening	Section 8.1 of Franchise Agreement	Item 11
f. Fees	Articles 5 and 12 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 7.1, 8.2, 8.4, 8.7, 8.8, 8.10, 8.13, 8.14, 8.20 of Franchise Agreement	Items 7, 8, 11, 15 and 16
h. Trademarks and proprietary information	Articles 17 and 20 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 7.7, 7.8, 8.7 and 8.8 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Sections 8.8 (B) and ©), 8.19 of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Section 8.7 of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 7.7, 7.8, 8.7 and 8.8 of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance and remodelling requirements	Section 8.3 of Franchise Agreement	Item 11
n. Insurance	Article 9 of Franchise Agreement	Item 6
o. Advertising	Article 10 of Franchise Agreement	Item 11
p. Indemnification	Section 8.11 of Franchise Agreement	Item 6

	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Offering Circular</b>
q.	Owner's participation/management/staffing	Sections 8.6 and 8.7 of Franchise Agreement	Item 15
r.	Records and reports	Article 11, Section 12.2 of Franchise Agreement	Item 6
s.	Inspections and audits	Section 8.13 of Franchise Agreement	Item 6
t.	Transfer	Article 16 of Franchise Agreement	Item 17
u.	Renewal	Article 15, Section 4.2 of Franchise Agreement	Item 17
v.	Post-termination obligations	Article 20 of Franchise Agreement	Item 17
w.	Non-competition covenants	Article 14 of Franchise Agreement	Item 17
x.	Dispute resolution	Articles 21, 22, 23 and 27, Sections 14.3, 20.1 (8) of Franchise Agreement	Item 17
y.	Compliance with Laws, Rules and Regulations	Section 8.5 of Franchise Agreement	Item 16

## ITEM 10

### FINANCING

Cannon does not offer direct or indirect financing. Cannon does not guarantee your note, lease or obligation. Cannon and its affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party. Cannon and its affiliates do not receive any direct or indirect payments from any person for the placement of financing.

## ITEM 11

### FRANCHISOR'S OBLIGATIONS

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

#### **Pre-Opening Obligations**

Before you open your Premises, Cannon will:

- (1) Designate your Territory. (Franchise Agreement, Section 3.1)
- (2) Approve or disapprove a site for your Premises Location. You select the sites of your Premises Location in your Territory. Cannon approves or disapproves your proposed site. (Franchise Agreement, Section 6.1) If you and Cannon cannot agree on a site for your Premises Location, then Cannon will terminate the Franchise Agreement and refund your Initial Franchise Fee.

Cannon considers the following factors in approving sites: the size of your Territory; the market potential and estimated volume of your Business; the general location and accessibility to customers; the availability of locations and necessary zoning; and, expected overhead.

- (3) Approve or disapprove all signs in writing before installation or display. (Franchise Agreement, Section 6.5)
- (4) Lend you a copy of the Confidential Operating Manual (the "Manual") during the Initial Training Program (described below). You must strictly comply with the Manual in operating your Business. Cannon can change the Manual, and you must comply with these changes when you receive them, but they will not materially alter your rights and obligations under the Franchise Agreement.

The Manual is currently divided into two parts: the Operational Manual and the Sales Manual. The following is the Table of Contents of the Manual as of the date of this offering circular:

TOPIC	NUMBER OF PAGES
<b><i>Operational Manual</i></b>	
Premises	3
Human Resources	8
Transport	2
Cleaning Process	9
Administration	5
Servicing Customers	1
Health and Safety	12
<b>TOTAL</b>	<b>40</b>
<b><i>Sales Manual</i></b>	
Introduction	6
Range of Services	24
Sales Planning and Strategy	13
Sales Administration	6
Corporate Identity	7
Brochures and Promotional Materials	10
Advertising and PR	8
Market Research	4
Testimonials	1
<b>TOTAL</b>	<b>79</b>

- (5) Provide you with Units. See (7) below and Item 6. (Franchise Agreement, Section 7.7)
- (6) Sell you the Cannon GRASafe Fluid. See (7) below and Item 6. (Franchise Agreement, Section 7.8)
- (7) Exert reasonable efforts to fulfill your requests for Units and Cannon GRASafe Fluid on a timely basis. If Cannon (or its suppliers) cannot supply Cannon's clientele (including you and other Cannon Hygiene franchisees) with the quantity and type of Units or Cannon GRASafe Fluid requested, as a result of any cause beyond the control of Cannon or its supplier, then Cannon

will allocate the available respective quantities and types of Units or Cannon GRASafe Fluid on an equitable basis among the businesses them. If you do not receive Units or Cannon GRASafe Fluid from Cannon or its suppliers because of any reasons beyond Cannon's (or its supplier's) control, this will not be a breach by Cannon of the Franchise Agreement and Cannon will not be liable to you for it. (Franchise Agreement, Section 7.9)

- (8) Furnish you with specifications for required products bearing the Cannon logo, such as uniforms and signs. (Franchise Agreement, Section 8.8)
- (9) Provide you with consultation and advice. (Franchise Agreement, Section 7.5)
- (10) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If Cannon does not respond in 10 business days, the material is approved. (Franchise Agreement, Section 10.2)
- (11) Set maximum prices or suggest prices for your services from time to time. Cannon will not attempt to set minimum prices for your services. See Item 16. (Franchise Agreement, Section 7.10)
- (12) Before your Cannon Hygiene Business opens, train you, your Business Manager and any other employees you wish Cannon to train as follows:

SUBJECT	TIME BEGUN	INSTRUCTIONAL MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING
Introduction to Cannon Hygiene	Day 1	N/A	30 minutes	0
Explanation of the Cannon Hygiene business	Day 1	N/A	30 minutes	0
Service administration	Day 1	Operational manual	1 hour	0
Routing	Day 1	Operational manual	1 hour	0
Product knowledge	Day 1	Operational manual	1 hour	0
Sales training	Day 1	Sales manual	4 hours	0
Field sales training	Day 2	Sales manual	0	8 hours
Practical service training	Day 3	Operational manual	0	8 hours

Cannon conducts the Initial Training Program approximately once a year (or more frequently, if needed) at Naperville, Illinois. Cannon's Initial Training Program currently includes approximately three days of training as described in the table above – one day each for classroom training, field sales training and practical service training. Steven Plevey and Gavin Haworth, Cannon's Account Managers, are in charge of the Initial Training Program. The minimum experience of the instructors that is relevant to the subject taught and Cannon's operations is from 8 to 12 years.

The Initial Franchise fee includes the cost of the Initial Training Program for you and your Business Manager – who must attend the training – and for any other trainees you wish to send. You must pay all transportation costs for yourself and your trainees, but Cannon will pay for meals and lodging during training.

Any Business Managers you appoint after the opening of your Cannon Hygiene Business must attend and successfully complete Cannon's next scheduled Initial Training Program. You must pay transportation costs, but Cannon will pay for meals and lodging during training. (Franchise Agreement, Section 9.2)

You can request on-site training and/or assistance at any time. Cannon is not obligated to provide on-site training and/or assistance. You must communicate the request to Cannon in accordance with guidelines. For each day of on-site training or assistance, Cannon can impose a fee. (Franchise Agreement, Section 9.3)

If Cannon holds an annual conference, convention or training session, you and your Business Manager must attend if Cannon requires attendance. There will be no training charge. You pay all travel and transportation expenses, but Cannon will pay for the meals, lodging and other living expenses of your trainees. (Franchise Agreement, Section 9.4)

### **Obligations After Opening**

During the operation of the franchised business, Cannon will:

- (1) Furnish you with those field support services Cannon considers advisable. Cannon may provide these services on-site, off-site, by telephone or through other means. Timing will depend on the availability of Cannon's personnel. (See Franchise Agreement, Section 9.5)
- (2) Provide you with Units. See (7) above and Item 6. (Franchise Agreement, Section 7.7)
- (3) Sell you the Cannon GRASafe Fluid. See (7) above and Item 6. (Franchise Agreement, Section 7.8)
- (4) Continue to exert reasonable efforts to fulfill your requests for Units and Cannon GRASafe Fluid on a timely basis – see (7) above in this Item 11. (Franchise Agreement, Section 7.9)
- (5) Furnish you with specifications for required products bearing the Cannon logo, such as uniforms and signs. (Franchise Agreement, Section 8.8)
- (6) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If Cannon does not respond in 10 business days, the material is approved. (Franchise Agreement, Section 12.2)
- (7) Set maximum prices or suggest prices for your services from time to time. Cannon will not attempt to set minimum prices for your services. See Item 16. (Franchise Agreement, Section 7.10)

### **Advertising**

Cannon currently intends to advertise in print, with local and regional coverage and currently intends to employ an in-house advertising department, but there is no contractual obligation for Cannon to maintain any advertising program. There are no advertising cooperatives or councils. There is no advertising fund.

You may develop advertising materials for your own use, at your own cost. As stated above, Cannon must approve these advertising materials in advance and in writing, but if Cannon does not respond within ten business days after receiving your proposed advertising material, the material is approved.

You 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 Cannon's advance written approval. Cannon may withhold approval withheld for any reason or no reason. You must submit to Cannon for approval true and correct printouts of all pages you propose to use in your Web site before use. You may only use material which Cannon has approved. Your Web site must conform to all Cannon's Web site requirements. You must provide all hyperlinks or other links Cannon requires. If Cannon grants approval for a Web site, you may not utilize any of the Proprietary Marks at the site except as Cannon expressly permits. You may not post any of Cannon's proprietary, confidential or copyrighted material or information on your Web site. If you wish to modify your approved Web site, you must first obtain Cannon's approval for all proposed modifications. You must list any Web site maintained by Cannon on your Web site, and any other information Cannon requires. You must obtain Cannon's advance written approval for any Internet domain name and/or home page address. These requirements for Cannon's advance approval will apply to all your activities on the Internet or other communications network. However, you may maintain one or more E-mail addresses and may conduct individual E-mail communications without Cannon's advance written approval. You must first obtain Cannon's approval if you propose to send advertising to multiple addresses via E-mail.

### **Computer System**

At the date of this Offering Circular, Cannon does not require you to purchase a computer system, but Cannon intends to do so in the future. When Cannon directs, you must purchase and install the computer hardware, software, peripherals and accessories which Cannon specifies (Cannon has not yet developed these specifications). You must then provide all assistance Cannon requires to bring your computer system on-line with Cannon's headquarters computer at the earliest possible time and to maintain this connection as Cannon requires. You must input and maintain in your computer system all data and information which Cannon prescribes. Cannon can retrieve from your computer system all information that Cannon deems necessary, desirable or appropriate. Cannon will bear the telephone costs of information retrieval.

Cannon expects that you will use your computer system to communicate with Cannon and to comply with the requirements of the financial and operating reporting systems.

Cannon may, in the future, develop (or have developed on its behalf) proprietary software for the Cannon Hygiene System. If Cannon decides to adopt proprietary software for the Cannon Hygiene System, then when Cannon directs, you must use Cannon's proprietary computer software and sign Cannon's standard form Software License Agreement (Exhibit G to the Franchise Agreement in this offering circular). If Cannon develops and adopts proprietary software, then the Initial Franchise Fee you paid will include the purchase price for the software. You pay for any future updates or revisions, and you must buy new or upgraded programs and materials from Cannon if Cannon adopts them system-wide, at the prices Cannon sets. You will pay for new or updated programs and materials when you order them. (Franchise Agreement, Section 8.9)

You must keep your computer system in good repair. If Cannon's runs tests and determines that the installation will benefit you and Cannon, you must install (at your own expense) whatever additions, changes, substitutions and replacements to your computer hardware, software, telephone and power lines, etc. Cannon directs. You must install these items when Cannon directs. You will pay for these items at the time and upon the terms that the sellers specify. There is no contractual limit on your expenditures to upgrade and update the computer system.

The computer system suppliers for Cannon and its affiliates have assured them that the system is ready for the year 2000 ("Y2K compliant"). The business of Cannon and its affiliates could be interrupted if their vendors, service suppliers or other third parties are not Y2K compliant, but Cannon and its affiliates do not believe that any such interruptions are likely to have a material adverse affect on operations. If you have a computer system you should make sure that it is Y2K compliant and you



should also investigate potential Y2K problems which you may face in dealing with your suppliers, landlord, financial institutions and others.

### **Time to Open**

You must open your Premises six months after Cannon signs your Franchise Agreement. Cannon estimates that the typical length of time between the signing of the Franchise Agreement and the opening of your Cannon Hygiene business is three months. Factors affecting time include attendance at and satisfactory completion of Cannon's Initial Training Program, obtaining a satisfactory Premises site, arranging for any financing, complying with local ordinances, completing delivery and installation of equipment and signs and procuring opening inventory.

## **ITEM 12**

### **TERRITORY**

#### **Territorial Rights**

Cannon will grant you a geographic area (the "Territory"). The minimum Territory Cannon grants you will be a 35 miles radius. Cannon will describe your Territory in detail in Exhibit A to your Franchise Agreement.

You may operate your franchised Business from only one Premises Location. "Premises Location" means a location you select and Cannon approves, from which you conduct the Cannon Hygiene Business. If you operate more than one Cannon Hygiene franchised Business, you may use a single Premises Location for all your Businesses if the Premises Location is in one of your Territories and is no more than one hour's driving time from the farthest boundaries of each of your Territories.

You may not relocate the Premises without Cannon's previous written approval. Cannon will grant approval if you are in compliance with the Franchise Agreement, you have paid all money owed to Cannon and its affiliates and the proposed location meets Cannon's site selection criteria. Any relocation will be at your expense.

You have no marketing exclusivity in your Territory. All Cannon Hygiene Businesses can advertise and offer their services to any person anywhere, including your Territory.

While the Franchise Agreement is in effect and you are not in default, Cannon will not, in your Territory, operate a company-owned Cannon Hygiene Business of the type franchised, grant a franchise for a similar or competitive business, or make the same or similar products or services available to customers through other distribution channels, except that Cannon and its affiliates have the right:

1. To own and operate Cannon Hygiene Businesses outside your Territory (through ownership, contracts, joint-ventures, etc.).
2. To grant franchises for Cannon Hygiene Businesses outside your Territory.
3. To offer and sell services and products in your Territory which are not part of the Cannon Hygiene System, and to use their its Proprietary Marks, name, reputation and know-how for these services and products.
4. To purchase, merge, acquire or affiliate with an existing chain providing disposal services for sanitary napkins, tampons, babies' diapers and/or incontinence waste, personal hygiene

services chain or any other business regardless of the location of its facilities, and to continue operating, franchising or licensing these facilities under its Proprietary Marks or any other marks after the date of the purchase, merger, acquisition or affiliation, regardless of the location of these facilities.

5. After the termination or expiration of the Franchise Agreement, to offer and sell in your Territory (directly or through franchises) the same services and products which you will sell under the Franchise Agreement.

In addition, Cannon can sell to National/Regional Accounts both in your Territory and outside it. "National/Regional Accounts" are retail customers who are not in your Territory alone, large corporations, hospital chains, federal, state and local governmental agencies and any other customers not confined to your Territory. You can service those National/Regional Account locations in your Territory at the price and on the terms that Cannon and the Account agree on. If you do not want to or cannot service the National/Regional Account for any reason, then Cannon (or any other franchisee of Cannon) can service the Account in your Territory.

Cannon and its affiliates have not established and do not intend to establish any other franchises, company-owned outlets or other distribution channels offering similar services under a different trademark anywhere in the United States.

### **Annual Minimum Unit Requirement**

There is no minimum sales quota, but there is an Annual Minimum Unit Requirement – see below and Note 1 to Item 6. During the term of your Franchise Agreement, you maintain rights to your area even though the population increases.

You must request Cannon to supply the minimum quantity of Units set forth on Exhibit A to your Franchise Agreement during the 12 months following the scheduled opening date of your franchised Business as provided in the Franchise Agreement (the "Scheduled Commencement Date"). In each period of 12 months following the anniversary of the Scheduled Commencement Date (each, an "Anniversary Year"), you may not maintain fewer than the applicable minimum number of Units set forth on the table in Exhibit A to your Franchise Agreement (including Units on your Premises and installed at a customer's premises) at any time during the Anniversary Year in question. You may satisfy the Annual Minimum Unit Requirement with any type or combination of types of Units. If you fail to satisfy the Annual Minimum Unit Requirement for any Anniversary Year, Cannon can terminate the Franchise Agreement.

## **ITEM 13**

### **TRADEMARKS**

The principal Cannon Hygiene commercial symbol which Cannon will license to you appears on the cover of this offering circular.

Cannon Limited, which owns the Cannon System and the proprietary marks and other intellectual property used in the Cannon Hygiene System, and Cannon Hygiene (USA) Inc., an affiliate of Cannon with an exclusive license from Cannon Limited to use and sublicense the Cannon Hygiene proprietary marks, other intellectual property and System in the United States, have licensed Cannon to use the System, marks and other intellectual property and to sublicense them to franchisees in a cross-license agreement dated as of April 1, 1999.

Cannon Hygiene (USA) Inc. has filed an application to register the service mark "CANNON HYGIENE" with the U.S. Patent and Trademark Office, but the registration has not yet become effective. By not having a Principal Register federal registration for "CANNON HYGIENE" Cannon does not have certain presumptive legal rights granted by registration.

The "Proprietary Mark" means the trademark, service mark, logotype and trade name "CANNON HYGIENE". The "Intellectual Property" means the Proprietary Mark, various copyrights and any patents which in the future may constitute part of the Cannon Hygiene System and which Cannon will license to you.

There are presently no effective determinations of the U.S. Patent and Trademark Office, any trademark trial and appeal board, the Trademark Administrator of any state or any court, any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving any of the above-referenced Proprietary Mark which is relevant to your use. There are no agreements which significantly limit Cannon's rights to use or license the Proprietary Mark other than the cross license agreement with Cannon Limited described above. There are no infringing uses or superior prior rights known to Cannon that can materially affect your use of the Proprietary Mark in this state or any other state in which the franchised Business is to be located.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Proprietary Mark or the other Intellectual Property, you must promptly notify Cannon. Cannon will promptly take the action it considers necessary to defend you. Cannon must indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims about the Proprietary Mark or the other Intellectual Property. You may not settle or compromise any of these claims without Cannon's previous written consent. Cannon will have the right to defend and settle any claim at its sole expense, using its own counsel. You must cooperate with Cannon in the defense. Under the Franchise Agreement, you irrevocably grant Cannon authority to defend or settle these claims. You may participate at your own expense, but Cannon's decisions with regard to the defense or settlement will be final. Cannon will have no obligation to defend or indemnify you if the claim against you relates to your use of the Proprietary Mark or the other Intellectual Property in violation of the Franchise Agreement.

If you learn that any third party whom you believe is not authorized to use the Proprietary Mark or the other Intellectual Property is using the Mark, the other Intellectual Property or any variant, you must promptly notify Cannon. Cannon will determine whether or not it wishes to take any action against the third party. You will have no right to make any demand or to prosecute any claim against the alleged infringer for the infringement.

You must comply with any instruction by Cannon to modify or discontinue use of any Proprietary Mark or Intellectual Property, or to adopt or use additional or substituted Proprietary Mark or Intellectual Property. If this happens, Cannon will reimburse you for your documented expenses of complying (such as changing signs, stationery, etc.). You waive any other claim for changes and substitutions. Except for reimbursing your documented expenses of complying, Cannon will not be liable to you for any resulting expenses. You promise in the Franchise Agreement not to start or join any proceeding against Cannon for any resulting expenses.

## ITEM 14

### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

#### Patents and Copyrights

Cannon currently holds no patents, but it is possible that Cannon or its affiliates may hold patents in the future and may license them to you. Cannon claims copyrights on certain forms, advertisements, promotional materials and other written materials. Cannon also claims copyrights and other proprietary rights in the Cannon Hygiene Confidential Operating Manual.

There are no agreements currently in effect which significantly limit your right to use any of Cannon's copyrights. Also, there are no currently effective determinations of the U.S. Patent and Trademark Office, Copyright Office (Library of Congress) or any court pertaining to or affecting any of Cannon's copyrights discussed above. Finally, as of the date of this offering circular, Cannon is unaware of any infringing uses of or superior prior rights to any of its copyrights which could materially affect your use of them in this state or in the state in which the franchised Cannon Hygiene Business will be located.

Your obligations and those of Cannon to protect your rights to use Cannon's copyrights (and any future patents which Cannon licenses to you) are described under the discussion of Intellectual Property in Item 13 of this offering circular.

#### Confidential Information

You may never – during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated – reveal any of Cannon's confidential information to another person or use it for any other person or business. You may not copy any of Cannon's confidential information or give it to a third party except as Cannon authorizes. All persons affiliated with you must execute Cannon's Confidentiality/Non-Competition Agreement (Exhibit B to the Franchise Agreement).

## ITEM 15

### OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must personally supervise the operation of the franchised Business, unless Cannon permits in writing. You must devote the necessary time and your best efforts for the proper and effective operation of the Business. If Cannon licenses you to operate more than one Cannon Hygiene Business, you must devote the time necessary for the proper and effective operation of all your Businesses.

If you are a corporation, then your "Principal Shareholder" must execute an Undertaking concerning ownership and control (Exhibit D to the Franchise Agreement in this Offering Circular). Your "Principal Shareholder" is the shareholder owning a registered holding of, and the beneficial ownership in, at least 51% of your shares,

If an individual, you must either serve as or designate a Business Manager. An entity franchisee must designate a Business Manager. The Business Manager, who will have day-to-day management responsibility for your Cannon Hygiene Business, will exercise on-premises supervision and personally participate in the direct operation of the Business. You must inform Cannon in writing of your Business Manager and any successors. Your Business Managers must complete the Initial Training Program to Cannon's satisfaction. After a Business Manager's death, disability or termination of employment,

you must immediately notify Cannon, and you must designate a successor or acting Business Manager in 10 days.

If the franchisee is a business entity, the Business Manager need not have any equity interest in the franchisee entity.

All persons affiliated with you must execute Cannon's confidentiality/non-competition agreement (Exhibit B to the Franchise Agreement) and keep Cannon's confidential or proprietary information confidential (see Item 14).

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all services which are part of the Cannon Hygiene System. You must currently offer and sell the following Cannon Hygiene services, in compliance with Cannon's required methods, procedures and techniques:

- Supplying Units for restroom and medical use after rendering them hygienic with the Cannon GRASafe Fluid, and
- Regularly exchanging the Units with empty replacement units which you have cleaned and processed for re-use.

In addition, you must offer and sell all other services which Cannon incorporates into the Cannon Hygiene System in the future. You must cease offering and selling any services which Cannon deletes from the System. You may not offer or sell any service, product or program which Cannon deletes from the System. You 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. you may not conduct (or permit the conducting of) any business other than the Cannon Hygiene Business at or from the Premises without Cannon's advance written consent.

You may not:

- 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 you obtain from Cannon.
- 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 you purchases from Cannon.
- 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.

You must maintain adequate inventory of the Units, Cannon GRASafe Fluid and all other products and supplies at all times to provide Cannon Hygiene services to your customers with reasonable efficiency.

You may make no representations and give no warranties to customers relating to the services, equipment, supplies, materials or products used by your Business other than any representations and warranties which Cannon first authorizes in writing.

You must comply with all applicable laws, rules and regulations; file all necessary tax returns; pay all taxes; and, obtain and keep all necessary licenses, permits and governmental approvals.

You may only sell Cannon Hygiene System services at retail, and you may not engage in the wholesale sale and/or distribution of any Cannon Hygiene service, product, equipment or other component, or any related product or service.

Cannon may establish maximum prices above which your Cannon Hygiene Business may not offer and sell services (or products). Cannon can revise or eliminate any maximum prices it sets. You must adhere to any maximum price requirement Cannon imposes. Cannon can advertise specific services (or products) as for sale throughout the Cannon Hygiene System at maximum prices "or less". Under no circumstances, however, will Cannon establish or advertise any minimum prices below which you may not offer or sell your services (or products). In addition, or instead, Cannon may suggest prices for services (and any products) sold by your Cannon Hygiene Business. Any list or schedule of prices suggested by Cannon will be recommendations only and not be mandatory on you unless Cannon expressly labels any or all of the prices as a maximum price (as described above). Cannon's suggested or maximum prices, fees, markups or margins may or may not increase or optimize the revenues or profitability of the franchised Business.

There is no limitation on the retail customers to whom you may offer and sell your services. Cannon grants you no marketing exclusivity in your Territory. Other Cannon Hygiene operators have the right to advertise and offer their Cannon Hygiene services and products to any person regardless of location. Cannon can offer and sell to National/Regional Accounts in and outside your Territory but it will give you the opportunity of servicing any National/Regional Accounts in your Territory – see Item 12.

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**ITEM 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

Provisions	Section In Franchise Agreement	Summary
a. Term of the franchise	Section 4.1	Five years.
b. Renewal or extension of the term	Article 15, Section 4.2	You can renew for one five year term if Cannon is franchising in this state and you comply with requirements described below. The terms of the Renewal Agreement may differ from the terms of the Franchise Agreement, but the boundaries of the Territory will remain the same, and the Unit Fee on renewal will not be greater than the Unit Fee that Cannon then charges similarly-situated renewing franchisees.
c. Requirements for you to renew or extend	Section 15.1	<p>a. Notify Cannon of your intention to renew at least 180 days, but no more than 240 days, before the expiration of the Initial Term.</p> <p>b. Comply with the Franchise Agreement and Manual and did not receive 2 or more Notices of Default within 2 years of the expiration date;</p> <p>c. Satisfy all monetary obligations to Cannon or its affiliates, and you met these obligations on time throughout the Initial Term.</p> <p>d. Renew your lease on terms acceptable to you and Cannon, or lease an acceptable new Premises Location in your Territory without any interruption of business.</p> <p>e. Execute a General Release of all claims against Cannon, its affiliates, etc., under the Franchise Agreement (but <u>not</u> releasing them from future claims under the Renewal Agreement).</p> <p>f. Comply with then-current qualification and training requirements; Cannon may require your Business Manager to attend and successfully complete the Initial Training Program and other training program Cannon reasonably specifies.</p> <p>g. Pay a Renewal Fee of \$2,000.</p>
d. Termination by you	6.2, 19.2, 19.4	<p>a. If you are unable to obtain all governmental approvals, consents and licenses required for you to lawfully open and operate the Cannon Hygiene Business by the scheduled opening date, you and Cannon each have the right to terminate the Franchise Agreement on notice to the other. See Item 5.</p> <p>b. You may terminate the Franchise Agreement if you and Cannon agree in writing.</p> <p>c. Your failure to pay any Unit Fees or other money owed Cannon or its affiliates, after you receive notice of the default granting an opportunity to cure, will mean that you are willfully and wrongful breaching the Franchise Agreement and that you have decided to reject and terminate the Franchise Agreement and all Agreements between you and Cannon (or its affiliates) related to the Franchise Agreement.</p>
e. Termination by Cannon without cause	None.	
f. Termination by Cannon with cause	Article 19	Cannon may terminate only if you default. The Franchise Agreement describes defaults throughout – please read it carefully.
g. "Cause" defined – defaults which can be cured	Section 19.3	<p>You have 15 days to cure if you:</p> <p>a. Fail to pay promptly money you owe Cannon (or its affiliates), fail to submit required reports or make a false statement in a report.</p> <p>b. Fail to maintain and operate your franchised Cannon Hygiene Business and Premises in a good, clean and sound manner, in strict compliance with standards.</p> <p>c. Fail to comply with any other lawful provision, Agreement requirement or Cannon requirement.</p>

Provisions	Section in Franchise Agreement	Summary
h. "Cause" defined – defaults which cannot be cured	Sections 19.1 and 19.2	<p>Automatic, without notice: bankruptcy, insolvency, receivership, dissolution or levy.</p> <p>On notice to you:</p> <p>a. You fail to open the franchised Business within 6 months following Cannon's signing of the Franchise Agreement, cease to operate the Business, or abandon the franchise by failing to operate the Business for 5 consecutive days when Cannon requires you to operate it, unless due to causes beyond your control.</p> <p>b. You omitted or misrepresented any material fact in the information you furnished Cannon's in connection with its decision to enter into the Franchise Agreement.</p> <p>c. You and Cannon agree in writing to terminate.</p> <p>d. You lose the right to possess the Premises Location. But if the loss is due to eminent domain, or if, through no fault of yours, the premises are damaged or destroyed, you have 30 days to apply for Cannon's approval to relocate and reconstruct. Cannon may not unreasonably withhold approval. It will be reasonable for Cannon to withhold approval if the Business will not re-open in 6 months.</p> <p>e. You (or any principal of a corporation, partnership or proprietorship franchisee) are convicted of a felony, fraud, etc.</p> <p>f. A threat or danger to public health or safety results from your continued operation of the Business.</p> <p>g. You make an unauthorized transfer.</p> <p>h. You fail to comply with the in-term covenant not to compete, violate restrictions on use of confidential information or fail to obtain the required additional covenants.</p> <p>i. You conceal revenues, knowingly maintain false books or records, or submit any false report to Cannon.</p> <p>j. You fail to satisfy Annual Minimum Unit Requirement for any Anniversary Year or to maintain required quantities of Units, unless due to a failure or delay in supply by Cannon or lack of availability of the Units.</p> <p>k. You refuse Cannon permission to inspect.</p> <p>l. You make any unauthorized use of the Proprietary Mark or the other Intellectual Property, or engage in any business or market any service or product under a name or mark which, in Cannon's opinion, is confusingly similar to the Proprietary Mark. .</p> <p>m. You fail to cure a default which materially impairs the goodwill associated with the Proprietary Mark or the other Intellectual Property after at least 72 hours' written notice to cure.</p> <p>n. You fail for 10 days after notice to comply with any law or regulation applicable to the Business.</p> <p>o. After curing a default, you commit the same default again in 6 months, or you repeatedly fail to comply with one or more requirements of the Franchise Agreement, whether or not you correct after notice.</p> <p>p. You offer or sell any unapproved service, product or equipment, or do not continue offering and selling all services and products which are a part of the System, or fail to use all materials, notices and procedures Cannon specifies.</p> <p>q. You use, supplies or sell in the franchised Business (1) any disposal units or any other products which compete with, are identical to or are similar to the Units other than the Units you obtain from Cannon or (2) any fluid or product which competes with, are identical to or are similar to the Cannon GRASafe Fluid other than the Cannon GRASafe Fluid you purchases from Cannon, or you 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.</p> <p>r. You fail to purchase or maintain required insurance or to reimburse Cannon for purchasing insurance for you.</p>



Provisions	Section in Franchise Agreement	Summary
i. Your obligations on termination/ nonrenewal	Article 20	<p>a. Immediately pay all sums owing to Cannon or its affiliates, and third parties.</p> <p>b. Stop using Cannon's Proprietary Mark, Intellectual Property, confidential information, trade secrets and Manual.</p> <p>c. Cancel assumed name or equivalent registration which contains "Cannon Hygiene", or any other Proprietary Mark of Cannon, or any variant, in 15 days.</p> <p>d. Stop using the telephone numbers listed in directories under the name "Cannon Hygiene" or any confusingly similar name.</p> <p>e. Immediately deliver to Cannon all Units and other property of Cannon, including training or other manuals (including the Confidential Operating Manual), all computer software and database material, customer lists, records and files, forms, advertising and promotional material, signs and related items which bear Cannon's Proprietary Mark.</p> <p>f. Immediately return to Cannon your entire inventory of Cannon GRASafe Fluid at date of termination or expiration. Cannon will reimburse you for the proper and reasonable costs you incur in returning the Cannon GRASafe Fluid and will pay you the amount you originally paid for the inventory.</p> <p>g. Assign to Franchisor, for \$1.00, by signing the documents Cannon reasonably requires, the benefit of all outstanding contracts, quotations and estimates for the provision of Cannon Hygiene services by you which Cannon requires.</p> <p>h. If Cannon terminates the Franchise Agreement for your default or you terminate through failure to make payment following notice to cure (see section d. above), pay Cannon all expenses incurred as a result of your default or termination.</p> <p>i. Immediately sign agreements necessary for termination.</p> <p>j. Strictly comply with post-termination/post-expiration covenants not to compete and continue to abide by restrictions on the use of Cannon's confidential information, trade secrets and know-how.</p> <p>k. Redecorate and remodel the Premises to distinguish it from a Cannon Hygiene Premises.</p>
j. Assignment of contract by Cannon	Section 16.1	Cannon will have the right to assign if the assignee is financially responsible and economically capable of performing Cannon's obligations under the Franchise Agreement, and agrees to perform these obligations. Cannon may sell its assets, its Proprietary Mark, its other Intellectual Property, or its System; go public, etc. (see Franchise Agreement)
k. "Transfer" by you — definition	Section 16.2	Any assignment, sale, transfer, sharing, redemption, sublicense or division of your interest in the Franchise Agreement, your rights or privileges under the Agreement, the franchised Business, or any interest in the franchised Business.
l. Cannon's approval of transfer by you	Section 16.2	No transfer without Cannon's consent except as provided in Franchise Agreement (for example, transfer to a corporation you form for convenience).
m. Conditions for Cannon's approval of transfer	Section 16.4	<p>a. You must comply with Cannon's right of first refusal.</p> <p>b. The person to whom you propose to transfer (the "transferee") must apply to Cannon for acceptance.</p> <p>c. Transferee (or officers, shareholders and directors, if a corporation) must demonstrate the skills, qualifications, ethics, moral values and economic resources necessary, in Cannon's reasonable judgment, to conduct the business and to fulfill obligations to you.</p> <p>d. Transferee and proposed Business Manager must attend and successfully complete Initial Training Program before assignment (and other training if Cannon wishes), at transferee's expense, which will include a training fee and transportation, lodging, food and other living expenses of trainees.</p> <p>e. The landlord of the Premises Location must consent in writing to the assignment of lease.</p> <p>f. You must fully comply with all obligations to Cannon and satisfy your outstanding monetary obligations to third parties, including trade debts.</p> <p>g. Transferee must sign new Franchise Agreement (but need not pay another Initial Franchise Fee). The term of new Franchise Agreement will expire on the date of expiration of the Franchise Agreement.</p>

Provisions	Section in Franchise Agreement	Summary
m. Conditions for Cannon's approval of transfer, continued		<p>h. If transferee is purchasing part of an interest in a corporate franchisee, he must sign a guarantee (see Exhibit C).</p> <p>i. You must execute a general release (see Exhibit F).</p> <p>j. You must pay Cannon a transfer fee of \$5,000.</p> <p>k. If transferee is a corporation, partnership or proprietorship, there are various requirements, including guarantees by shareholders.</p> <p>l. You must give Cannon a copy of the signed assignment contract.</p> <p>m. You must remain liable for all Franchise Agreement obligations to Cannon before the effective date of the transfer, and sign all documents Cannon reasonably requests to demonstrate this liability.</p> <p>n. You must comply with the post-term covenant not to compete, starting with the effective date of the assignment (see section r. below).</p>
n. Cannon's right of first refusal to purchase your business	Section 16.6	Cannon can match any offer for your Business.
o. Cannon's option to purchase your business	None.	
p. Your death or disability	Section 16.5	On your death or permanent incapacity your rights pass to your "Estate". Your Estate may continue operating the Business if it provides an acceptable Business Manager. This Business Manager must successfully complete Cannon's next Initial Training Program and assume full-time operation of the franchise within 1 month of your death or disability. From the date of your death or disability until a Business Manager assumes full-time control, Cannon can operate your Business, but need not do so.
q. Non-competition covenants during the term of the franchise	Section 14.1	No involvement in competing business anywhere in U.S.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.2	No competing business for 1 year within your Territory, within 10 miles of the perimeter of your Territory, or within 10 miles of the perimeter of any Cannon Hygiene Business Territory.
s. Modification of the agreement	Sections 24.1 and 24.2	No oral modifications generally, but Cannon may change the Manual. Any Manual change will not unreasonably increase your obligations in the Franchise Agreement.
t. Integration/merger clause	Section 24.1	Only the terms of the Franchise Agreement and all agreements signed with it are enforceable (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	No provision for arbitration.
v. Choice of forum	Section 27.4	Litigation must be at New York, New York.
w. Choice of law	Section 27.3	New York law applies.

These states have statutes which may supersede the Franchise Agreement in your relationship with Cannon including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, Tit. 6, Ch. 25, Sections 2551 et seq.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/19 AND 705/20], INDIANA [Stat. Section 23-2-2.7], IOWA

[Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180] and WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with Cannon including the areas of termination and renewal of your franchise.

See the state addenda to the Franchise Agreement and Offering Circular for special state disclosures.

## **ITEM 18**

### **PUBLIC FIGURES**

Cannon does not use any public figure to promote its franchises.

## **ITEM 19**

### **EARNINGS CLAIMS**

Cannon does not furnish, or authorize its salespersons or anyone else to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a franchised Cannon Hygiene Business. Actual results vary from unit to unit and Cannon cannot estimate the results of any particular franchise.

## **ITEM 20**

### **LIST OF OUTLETS**

As of the date of this offering circular, Cannon has not yet granted any franchises. Therefore Cannon has not terminated, canceled, refused to renew or reacquired the franchise of any franchisee in any state; no franchisees have transferred ownership; there is no franchisee in any state who has otherwise voluntarily or involuntarily ceased to do business under a Cannon Franchise Agreement; and, there is no franchisee in any state who has not communicated with Cannon within 10 weeks of the application date of this offering circular.

Cannon Hygiene, Inc., an affiliate of Cannon, has conducted a business similar to the type being franchised since 1996, first in Libertyville, Illinois and then in Naperville, Illinois. Another affiliate of Cannon, Cannon Hygiene/AWI of Virginia LLC, a joint venture company partially owned by Cannon USA, has operated a business similar to the type being franchised in Norfolk, Virginia, since 1997. These are the only Businesses in the United States which are company-owned (in whole or in part).

**PROJECTED OPENINGS  
AS OF  
DECEMBER 31, 2002**

STATE	FRANCHISE AGREEMENT SIGNED BUT BUSINESS NOT OPENED AS OF 12/31/02	PROJECTED NEW FRANCHISED BUSINESSES IN NEXT FISCAL YEAR	PROJECTED NEW COMPANY OWNED BUSINESSES IN NEXT FISCAL YEAR
ALABAMA	0	1	0
CALIFORNIA	0	2	0
FLORIDA	0	1	0
GEORGIA	0	1	0
MINNESOTA	0	1	0
NEW YORK	0	1	0
PENNSYLVANIA	0	1	0
VIRGINIA	0	1	0
ALL OTHER STATES	0	0	0
TOTALS:	0	9	0

**ITEM 21**

**FINANCIAL STATEMENTS**

Cannon was incorporated on January 8, 1999. Cannon's audited financial statements for the fiscal years ended December 31, 2000, December 31, 2001 and December 31, 2002 and its unaudited financial statements for the period ended March 31, 2003 are in Exhibit 2.

**ITEM 22**

**CONTRACTS**

Copies of Cannon's Franchise Agreement and all exhibits to it (Franchised Territory and Premises Location; Confidentiality/Non-Competition Agreement; Guarantee; Principal Shareholder's Undertaking; Releases; and, Software License Agreement) are included in Exhibit 1. The Confidentiality Agreement which prospective franchisees must sign is in Exhibit 7.

**ITEM 23**

**RECEIPT**

Exhibit 7 is a detachable receipt.