

Act No 68 of 2008: Consumer Protection Act, 2008.

In terms of Regulation 7(2)a of the act: “A Franchisee may cancel a Franchise Agreement without cost or penalty within 10 business days after signing such Agreement, by giving written notice to the Franchisor.”

FRANCHISE AGREEMENT

between

CHEM-DRY (SA) cc

Reg. No. 2003/049224/23

Sole Member & Manager: Casper Steenkamp (B.Sc. QS)

ID: 5302185095085

P.O. Box 187, St Francis Bay, 6312

Tel: 042 294 1689: Fax 042 294 1228

Email: casper@chemdry.co.za

(hereinafter referred to as “**Franchisor**”)

whose registered offices and trading address is:

Erf 1415

The Village Business Centre

St Francis Bay 6312

And

Mr Joe Soap

ID Number:

trading as

(if more than one person then as per Harare Agreement)

CHEM-DRY _____

(hereinafter referred to as “**Franchisee**”)

of

P O Box

Franchisor hereby grants to **Franchisee**, who hereby accepts, the right to operate a Chem-Dry Franchise (Franchise Number 000) on the following terms and conditions.

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1. INTERPRETATION

In this Agreement:

- 1.1. clause headings are inserted for convenience only and are not to be used in its interpretation;
- 1.2. unless the context clearly indicates a contrary intention, an expression which denotes any gender includes the other genders, a natural person includes an artificial person and vice versa, the singular includes the plural and vice versa, and the following expressions bear the meanings assigned to them below:
 - 1.2.1. “**Master Franchisor**” means Harris Research, Inc. of Logan, Utah, United States of America;
 - 1.2.2. “**Devere International**” means Devere International, Inc. of Logan, Utah, United States of America;
 - 1.2.3. “**Franchisor**” means Chem-Dry (SA) cc whose registered offices are situated at The Village Shopping Centre, St Francis Bay, 6312;
 - 1.2.4. “**Chem-Dry System**” means in the broadest sense, both current and future, the process developed and employed by **Master Franchisor** for cleaning rugs, carpets, upholstery, draperies and Stone & Tile care and the manner of carrying out such business under the name “Chem-Dry”;
 - 1.2.5. “**Marks**” means the intellectual property rights owned by **Master Franchisor** or its nominees including but not limited to certain Trademarks, Trade Names, Service Marks, Logotypes, Commercial Symbols, Copyrights and Patents applicable to the **Chem-Dry System**;
 - 1.2.6. “**Franchise Services**” means the two basic **Service** classes for two types of franchised **Services** under the **Chem-Dry System**:

CLASS E Chem-Dry Franchise grants the rights to operate and perform carpet, upholstery and curtain cleaning and maintenance services.
CLASS F Chem-Dry Franchise grants the rights of a Class E Franchise in addition to Tile & Stone Care.
 - 1.2.7. “**Effective Date**” means _____ notwithstanding the execution date of this Agreement.
- 1.3. All references to currency in this Agreement shall mean South African Rand.

- 1.4. Where appropriate, reference to **Master Franchisor**, shall mean and include **Devere International** and reference to **Franchisor** shall mean and include **Master Franchisor**.

2. RECORDAL

- 2.1. **Master Franchisor** is the owner of the **Chem-Dry System** and the **Marks**;
- 2.2. **Devere International** is duly authorized by **Master Franchisor** to grant and administer Master Franchise Licenses outside the United States of America including South Africa;
- 2.3. **Franchisor** is duly authorized by **Devere International** to grant and administer Franchise Licenses within South Africa;
- 2.4. It is fundamental to the success of the Chem-Dry Franchise Network that all franchisees shall strictly follow the standards and policies of **Franchisor** providing for the uniform operation of all Chem-Dry franchises, including, but not limited to the use of cleaning products supplied exclusively by **Franchisor**, equipment either supplied or approved by **Franchisor** and strict adherence to the standards of quality, service and cleanliness prescribed by **Franchisor**.
- 2.5. **Franchisee** has applied to **Franchisor** to purchase and operate a Chem-Dry Franchise employing the **Chem-Dry System** and **Marks** and to comply with **Franchisor's** specifications and operating procedures, and the use of **Franchisor's** operating assistance, advertising services and know-how.
- 2.6. **Franchisee** acknowledges that:
 - 2.6.1. The success of the business venture which he contemplates undertaking by virtue of this Agreement is speculative and involves business risks and depends for success upon the ability and efforts of **Franchisee**;
 - 2.6.2. **Franchisor** has expressly disclaimed the making of any warranty, representation or undertaking, express or implied, as to the potential success of the business venture contemplated by this Agreement and **Franchisee** accepts such disclaimer.
- 2.7. **Franchisor** undertakes to explain to **Franchisee** in writing any term or terms of any section not fully understood, upon written request from the prospective **Franchisee**

3. GRANT OF FRANCHISE

- 3.1. Subject to the provisions of this Agreement, and in consideration of the payment by **Franchisee** of the Initial Franchise Fee and purchase price of the equipment, supplies, cleaning solutions and materials, advertising and promotional materials, training materials and stationery set out in Schedule 1, **Franchisor** hereby grants to **Franchisee** a non-exclusive franchise to operate and conduct the class of franchise as specified in

Schedule 2 which includes the license to use the **Chem-Dry System and Marks** ("the **Franchise**") for a period of 5 (Five) years from the **Effective Date**, the initial term, and the renewal term if the Franchise is renewed as provided herein, collectively referred to as ("the **Term**") in the Territory as described in Schedule 3 ("the **Territory**").

- 3.2. **Franchisor** undertakes not to grant more franchises within the Territory than the quotient rounded up to the next whole number of the population of the Territory as stated in the latest census and recorded in Schedule 3 divided by a factor of 150 000.

4. RENEWAL OF FRANCHISE

If a **Franchisee** has duly complied with his obligations in terms of this Agreement, the **Franchise** may be renewed at no further charge for additional 5 (Five) year periods on subsequent 5 (Five) year anniversary dates, subject to the following conditions being met; (a) The Franchisee has substantially complied with all the terms and conditions of the Agreement (b) Franchisee executes Chem-Dry SA's then-current form of Franchise Agreement which may contain new and different terms and conditions and (c) the parties are able to reach agreement on a development schedule for a renewal term as per Schedule 6. Note, by "then current Franchise Agreement" is meant the agreement being used by **Franchisor** at the time of renewal, which all new franchisees are required to sign to enter into the Chem-Dry network. No renewal agreement shall impose upon **Franchisee**, terms and conditions that are more restrictive than the agreement which incoming franchisees are required to sign at the time of the renewal. **Franchisee** shall give **Franchisor** written notice of its request to renew not more than (6) six months and not less than (3) three months before the expiry date of this Agreement. Within (30) thirty days of receipt of **Franchisee's** written renewal request, **Franchisor** shall notify **Franchisee** of **Franchisor's** acceptance or rejection of such request based on the condition above.

5. NAME OF FRANCHISE

The selection of the name of the **Franchise** and any change of name shall be subject to **Franchisor's** written approval.

6. LOCATION OF FRANCHISE

6.1. **Franchisee** undertakes and agrees to operate and conduct the **Franchise** from a single address designated by **Franchisee** and with **Franchisor's** consent, whose consent will not be unreasonably withheld, within the areas described in clause 7.2.1 ("the **Location**"). The purchase or rental of a property is not a requirement. **Franchisee** may operate out of his or her own home (where zoning and other bylaws and regulations permit), provided the home is within the territory as designated in the Franchise Agreement. A storage area the equivalent of a single car garage will be adequate should the **Franchisee** have to buy or rent.

6.2. All equipment used in the operation and conduct of the **Franchise** shall be returned to the **Location** at the end of each business day.

6.3. One business telephone number shall be advertised and used in connection with the **Franchise** and shall be located at and answered

from the **Location** or by cellular phone or by diversion facility. Additional numbers may only be operated with the prior written approval of **Franchisor**.

7. FRANCHISEE'S WARRANTIES, UNDERTAKINGS AND INDEMNITIES

7.1. **Franchisee** undertakes and agrees, at his expense, that within 30 (Thirty) days of the delivery of the equipment, cleaning solutions and promotional material set out in Schedule 1, the **Franchise** will become operational and that:

7.1.1. A business telephone line in respect of which **Franchisor** shall be the nominated subscriber shall be installed by **Franchisee** at the **Location**, maintained and answered during normal business hours. **Franchisee** shall pay all charges, costs and fees about the installation and operation of such telephone line on due date and hereby indemnify **Franchisor** against any claims arising here from.

7.1.2. A computer system together with Internet access must be acquired. An approved Accounting package including a database for capturing client data must be implemented on the system.

7.1.3. A Chem-Dry email address and Franchise Website will be created and maintained by the **Franchisor**, the implementation and maintenance cost, of the site and address will be recovered from the funds collected in terms of Clause 7.9

7.1.4. An approved, well-maintained Vehicle with the approved sign writing must be available at all times within 30 days from the effective date.

7.1.5. A crew will be available to perform any requested work for the approved class of franchised services in the **Territory** within a reasonable time from receipt of such requests.

7.2. **Franchisee** shall be entitled to advertise and solicit business for business as follows:

7.2.1 in respect of residential work, only within (List of actual areas will be provided)

7.2.2 in respect of commercial work, anywhere within the **Territory**. (See definition of territory in schedule 3)

Franchisee may enter other areas by referral but only where the referred customer makes first contact with **Franchisee**.

7.2.3. Should a dispute arise between franchisees wherein one franchise claims an account in his area was secured through unauthorized solicitation by a **franchisee** from another territory and not by referral, each **franchisee** agrees to abide by a decision and follow corrective guidelines, including any financial compensation, as directed by the **Franchisor**. Failing which an arbitration board shall be convened

by **Franchisor**, consisting of **Franchisor** and two independent and impartial franchisees selected by **Franchisor**, having one vote each.

The arbitration board shall have power to impose fines or costs on the parties to the arbitration. Advertising and/or soliciting contrary to the provisions of 7.2, entering an area other than by referral, or not abiding by the decision and following the guidelines of the arbitration board shall be considered a material breach of this Agreement.

- 7.3. **Franchisee** may offer and perform the authorized class of franchised services only, unless otherwise approved by **Franchisor** in writing. **Franchisee** is eligible to offer additional services approved by **Franchisor** provided he undertakes the appropriate training and certification, therefore.
- 7.4. **Franchisee** shall comply with the operating and quality standards and procedures laid down by **Franchisor**, and from time to time shall allow **Franchisor** the right to inspect his premises, staff, vehicles, equipment, and services to confirm such compliance. See Schedule 7 attached.
- 7.5. **Franchisee** shall use only those cleaning solutions, supplies, equipment and business forms supplied by and purchased from **Franchisor** or approved by **Franchisor** in writing prior to their use, at the then current list price plus freight charges, which shall be paid in full when the order is placed unless otherwise agreed in writing. The provisions of this sub-clause shall equally apply to the purchase and dispatch of the New Business Set and/or Upholstery Kit and/or any other items referred to in Schedule 1 of this Agreement. The Products and Equipment directly related to the **Marks** and **Chem-Dry System** are listed in Schedule 5.
- 7.6. **Franchisee** shall use only advertising or promotional materials which have been obtained from **Franchisor** or have the prior written approval of **Franchisor**. Should **Franchisee** use any promotional material at all that has not been approved in writing by **Franchisor**, he must, on request by **Franchisor** destroy all materials and withdraw advertising at his own expense. Repeated breaches of this clause shall result in the termination of this Agreement by **Franchisor**.
- 7.7. **Franchisee** will continue to update his services, techniques, and training in accordance with quality and performance standards outlined by **Franchisor**. **Franchisee** acknowledges and agrees that all forms of communication listed in clause 9.1 of this Agreement and more specifically the content thereof shall be deemed to be included in this Agreement and its interpretation. In the event of there being conflict between anything contained in the said forms of communication and the content of this Agreement, the latter shall apply.
- 7.8. **Franchisee** will use the **Marks** and in particular the **Chem-Dry** name with proper identification when soliciting or carrying out franchised services, and agrees to display the **Chem-Dry** name and symbol on all vehicles, uniforms, stationery and equipment used in carrying out the franchised services. Servicing crews will maintain neat and clean uniforms. Vehicles and equipment are required to be maintained and kept in a clean, safe and presentable condition.

7.9. The **Franchisee** shall pay to **Franchisor** a National Advertising Levy of R _____ (words) plus R30.00 admin fee Plus VAT per month (“the National Advertising levy”) by debit order on or before the 20th day of each month. The National Advertising Levy shall be increased in October of each year, on a compounded basis, by the greater of the Consumer Price Index (C.P.I.) for the previous year or 10% (Ten Percent). The funds will be applied to cover the cost incurred by the **Franchisor** in terms of Clauses 7.1.2 and 7.1.4. The balance of the funds will be administered by the **Franchisor** and utilized for any additional advertising for and on behalf of all the franchisees collectively and individually, any advertising done on an individual basis will be done for all **Franchisees** in the same medium or media. Any excess funds from any one year will be carried forward to the next year. See Schedule 8

7.9.1 The total levy is calculated based on the actual listing cost in 2013 of the **Franchisee's** details in the relevant White and Yellow pages plus the amount of R277.11 for the cost incurred for; creating and maintaining a **Franchisee** specific website, email address, Search Engine Optimization and additional advertising for the **Franchisees** collectively.

7.9.2 Within six months, after the end of each financial year, the Franchisor will provide **Franchisees** with a financial statement, prepared in accordance with the applicable legislation, fairly reflecting the fund's receipts and expenses for the last financial year, the method of spending on advertising and/or marketing of the **Franchisees** and the Franchise systems products and services.

7.9.3 Financial Management accounts, relating to the funds available for the **Franchisees**, will be provided every three months to the **Franchisee** by the **Franchisor**.

7.9.4 The **Franchisor** shall not spend any moneys in the fund on advertising or marketing of Franchises for sale.

7.9.5 On request from a **Franchisee**, the **Franchisor** will issue a certificate of a registered auditor that the fund's account has been audited and that the statements, to the best of his or her knowledge, provide a true reflection of the matters as stated in Regulation 2(3)(m) of the Consumer Protection Act (CPA), within fourteen days of receiving such a request.

7.9.6 All contributions to the fund will be deposited into a separate bank account used only for the purpose of the funds.

7.9.7 The Franchisor will be responsible for administration and management of the fund only and will not make any additional contributions to the fund.

7.9.8 The Franchisor and/or the Franchisor's associated businesses shall not enjoy any direct or indirect benefit, not afforded to the independent Franchisees, from the fund.

- 7.10. Franchisee shall pay to Franchisor the amount of R_____ (words) plus VAT and R3.00 debit order fee per month (“the Monthly Service Fee”) by debit order on or before the 10th day of each month. The Monthly Service Fee shall be increased in December of each year, on a compounded basis, by the greater of the Consumer Price Index (C.P.I.) for the previous year or 10% (Ten Percent). See Schedule 8.
- 7.11. **Franchisee** shall promptly pay all amounts due in terms of and pursuant to this Agreement, which amounts shall be subject to VAT or such other tax at the rate prescribed by Law from time to time. Interest will be levied on amounts in arrears at the rate of Prime plus 3% (nominal annual compounded daily) from date of invoice to date of payment. Additionally, should it be necessary for **Franchisor** to telephone, write to, or otherwise communicate with **Franchisee** for payment of outstanding amounts, each such communication shall incur an administration fee of R100.00 plus VAT.
- 7.12. Until **Franchisor** has been paid in full for the goods comprising an order:
- 7.12.1. Such goods shall remain the property of **Franchisor**, although the risk in and thereto shall pass to **Franchisee** on dispatch of the goods by **Franchisor**.
- 7.12.2. **Franchisor** may examine or recover the goods at any time from **Franchisee**, and for such purpose, **Franchisor** and its employees or agents may enter upon the land, building, or vehicle upon which the goods are situated.
- 7.13. **Franchisee** will, on request, provide **Franchisor** with regular statistical information in the form requested by **Franchisor** in respect of the performance and operation of the **Franchise**.
- 7.14. **Franchisee** warrants that he is not at the time of entering into this Agreement insolvent and knows of no circumstances, which would entitle any creditor to apply for his sequestration or exercise any other rights over or against his assets.
- 7.15. **Franchisee** shall use his best endeavors at all times to ensure the successful operation of the **Franchise**.
- 7.16. Failure by **Franchisee** to comply with any of the provisions in this clause 7 shall constitute a material breach of this Agreement.

8. TRAINING

8.1 On Commencement:

Before commencing business and offering the **Franchise Services**, **Franchisee** agrees to attend and complete an in-house training program provided by **Franchisor**. With the exception of travel and living expenses incurred by **Franchisee** in attending such in-house training, the expense of the in-house training will be met by **Franchisor**.

The training will embrace:

- 8.1.1 How to mix and apply cleaning products and use equipment under normal working conditions for the class of franchise granted;
- 8.1.2 How to compute customer quotes for services;
- 8.1.3 How to solicit and maintain business;
- 8.1.4 How to keep and maintain business records and accounts;
- 8.1.5 How to replace inventory, otherwise enter into, and conduct the class of franchise granted using the **Chem-Dry System**.

8.2 On Going Training:

Franchisee shall complete at least one training course per calendar year. The initial training will fulfill the training requirement for the calendar year in which the Franchise Agreement is dated. In subsequent calendar years, the training can be completed by:

- 8.2.1 attending an annual conference or convention, this does not relieve the Franchisee of his obligation in terms of 8.2.4
- 8.2.2 attending a training session held in St Francis Bay, Eastern Cape:
- 8.2.3 Successfully completing and obtaining a certificate for such online or other electronic training modules as are available on the Chem-Dry Gateway University.
- 8.2.4 The **Franchisee** will be obliged to obtain a 5-star Technician's grading as well as 4-star CRS grading within 2 years from the effective date. All certificates are valid for a period of 2 years only.

9 OPERATING ASSISTANCE

- 9.1 **Franchisor** shall furnish to **Franchisee** such reasonable operating assistance in connection with the operation of the **Franchise** as **Franchisor** determines from time to time to be necessary or such further reasonable assistance as **Franchisee** requests.

Without limiting the generality of the foregoing, such operating assistance will include advice and guidance regarding:

- 9.1.1 Training of New and existing Employees.
- 9.1.2 Formulating and implementing advertising and promotional programs.
- 9.1.3 Administration of the National Advertising Levy collected in terms of Clause 7.9, which includes for placement of a global Chem-Dry advert in all the relevant Yellow Page publications and the development of a franchisee specific Website.
- 9.1.4 Upgrading and improving equipment, cleaning products and other supplies for the class of franchise granted;

9.1.5 Training to update **Franchisee's** knowledge, skills, and awareness of new products, in the form of but not limited to video tapes, training manuals, newsletters, circulars, emails, internet postings and downloads, training seminars and conventions.

9.2 All travel, lodging and dining expenses incurred by **Franchisee** in attending training seminars, conventions or at any other location for purpose of training and assistance shall be borne by **Franchisee**. Non-scheduled training seminars or workshops, special training at **Franchisee's** request and training required due to **Franchisee's** failure to meet quality control standards may, at **Franchisor's** discretion, be conducted at the expense of **Franchisee**.

Franchisor welcomes suggestions from **Franchisee** that may be of benefit to **Franchisor** and other franchisees. If at any time during the **Term**, **Franchisee** proposes any improvements or changes to the franchised services or the **Chem-Dry System**, he shall inform **Franchisor** and shall obtain **Franchisor's** consent prior to implementing any such improvement or change and if accepted by **Franchisor**, the proprietary rights in and thereto shall be deemed to form part of the **Chem-Dry System**.

10 BOOKKEEPING AND RECORDS

Franchisee shall establish a bookkeeping system that will enable **Franchisee** to maintain financial records for accounting and taxation purposes. **Franchisee** shall also keep accurate customer lists and promptly record all transactions relating to or arising out of this Agreement. A complete list of all Customers including contact details must be submitted to the **Franchisor** on an annual basis in March of each year.

Franchisee hereby authorizes **Franchisor** or his nominee to examine all bookkeeping records at all reasonable times and agrees to make copies or abstracts there from, which information **Franchisor** undertakes to treat with utmost confidentiality.

Franchisee further agrees to retain all such records for a period of six (6) years following the year to which they apply. Termination of this Agreement shall not alter **Franchisee's** obligation to comply with the provisions of this clause.

Failure by **Franchisee** to comply with any of the provisions in this clause 10 shall constitute a material breach of this Agreement.

11 ADVERTISING AND PROMOTION BY FRANCHISEE

All advertising and promotion by **Franchisee** shall be completely factual and shall conform to the highest standards of ethical advertising, to all legal requirements, and conform to the policies prescribed from time to time by **Franchisor** and in all instances subject to the **Franchisor's** approval.

12 COMPLIANCE WITH LAWS

Franchisee shall operate and maintain in force during the **Term**, all required licenses, permits and certificates and shall operate the **Franchise** in full compliance with all appropriate laws, statutes and regulations, including without limitation all government regulations relating to occupational health and safety, consumer protection, unfair and deceptive practices, trade regulations,

employer's liability insurance premiums, the payment of rates, income and other taxes.

13 PRICING OF FRANCHISE SERVICES

Franchisor may (but shall not be obliged) from time to time to offer guidance to **Franchisee** in relation to prices for the products sold, if any, and the services rendered under the **Franchise** that in **Franchisor's** judgment constitutes good business practice. Notwithstanding anything herein contained **Franchisee** shall have the sole right to determine the prices to be charged from time to time for any products sold or services provided and no such guidance shall be deemed or construed to impose on **Franchisee** any obligation to charge any fixed, minimum or maximum price for any product sold or service offered by **Franchisee**.

14 MARKS

14.1 **Master Franchisor** is the proprietor of all the **Marks** (whether registered or not) and has granted permission to **Franchisor** to use and license the **Marks**. All use of the **Marks** by **Franchisee** and any goodwill established thereby shall ensure to the exclusive benefit of **Master Franchisor**.

14.2 **Franchisee** undertakes not to infringe or harm **Master Franchisor's** rights to any of the **Marks**, either during the subsistence of this Agreement or at any time thereafter. **Franchisee** hereby further agrees to use each of the **Marks** in full compliance with the rules prescribed from time to time by **Franchisor**. Except where authorized herein, or in any other case, with **Franchisor's** written consent, **Franchisee** shall not use any of the **Marks** as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols other than logos licensed to **Franchisee** hereunder, nor use any of the **Marks** in connection with the sale of any unauthorized product or service.

14.3 **Franchisee** shall use the name **Chem-Dry** when soliciting or carrying out the Franchise Services and, subject to the preceding sub-clause, shall ensure that all vehicles, uniforms, advertising material, invoices and equipment used in conducting the **Franchise** shall advertise and display only **Chem-Dry** trademarks, trade names, service marks, logos, commercial symbols and services.

14.4 **Master Franchisor** and **Franchisor** may, from time to time, develop other trademarks, trade names, service marks, logos and promotional material and hereby grants to **Franchisee** the right to use same when released by **Franchisor** subject to the terms and conditions of this Agreement, provided that **Franchisee** shall not be required to use more than one name, mark or design to identify the **Franchise** at any time. **Franchisee** shall immediately notify **Franchisor** of any infringement of, or challenge to, **Franchisee's** use of any of the **Marks**, or any claim by any person to any rights in any of the **Marks**, and **Franchisee** shall not communicate with any person other than **Franchisor** or its legal adviser in connection with any such discretion to take such action as it deems appropriate. **Franchisor** hereby indemnifies and holds **Franchisee** harmless against all damages, including, without limitation, claims, arising out of the use of any **Mark**, in compliance with this Agreement and for all costs reasonably incurred by **Franchisee** in the defense of any

such claim brought against him or in any such proceeding in which he is named as part. However, should **Franchisor** deem it advisable to change or modify any **Mark** for any reason, **Franchisor** shall not be liable to **Franchisee** for costs incurred in changing **Marks** on signs, vehicles, uniforms, equipment, promotional materials, business forms and similar materials or in replacing inventory containing **Marks** no longer used. Such changes shall be considered to be a normal cost of conducting business.

14.5 **Franchisor** shall have the exclusive right to control any litigation or proceeding, arising out of such infringement, challenge or claim or otherwise relating to any of the **Marks**. **Franchisee** hereby agrees to execute any and all instruments and documents, render assistance and do such acts as may, in the opinion of **Franchisor's** legal advisers, be necessary or advisable in any such litigation or Trade Marks Registry proceeding or otherwise to protect the interest of **Franchisor** in the **Marks**.

14.6 If, for any reason and in the sole discretion of **Franchisor**, it becomes advisable at any time for **Franchisee** to modify or discontinue use of any of the **Marks** and/or use one or more additional or substitute marks, **Franchisee** agrees to do so.

15 PROPRIETARY RIGHTS AND TRADE SECRETS

15.1 **Franchisee** acknowledges that **Master Franchisor** has spent substantial time and money in developing cleaning products, processes and equipment to be used in carrying out the Franchise Services and in creating and registering names, marks, symbols and promotional materials and that all such names, marks, symbols and materials are the exclusive property of **Master Franchisor** and that any right or license granted hereunder to **Franchisee** to use such names, marks, symbols and materials will cease to exist upon the termination or sooner expiration of this Agreement for any reason whatsoever.

15.2 **Franchisee** shall receive and hold in strict confidence any and all information concerning both **Master Franchisor's** and **Franchisor's** methods of business, including but not limited to, its trade secrets, technical information, know-how, profits and financial position.

Franchisee shall hold all such details in strict confidence during the **Term** and at all times thereafter, and shall not reveal any such details to any person or entity, except as necessary in the operation of the **Franchise**, without the prior written consent of **Franchisor**.

Franchisee shall take all reasonable steps to ensure that his officers, employees or agents also observe secrecy and/or confidentiality in relation to the foregoing information.

16 TERMINATION

16.1 **Franchisee** may terminate this Agreement at any time during the **Term** by giving **Franchisor** no less than sixty (60) days' notice in writing of his intention to terminate which notice shall be effective after delivery thereof to **Franchisor** at its domicilium stated below.

- 16.2 This Agreement may be terminated at any time during the **Term** by the mutual consent in writing of **Franchisor** and **Franchisee**.
- 16.3 In addition to all other rights of **Franchisor** to terminate this Agreement as provided herein, **Franchisor** may terminate this Agreement effective upon delivery of a notice of termination in writing to **Franchisee**, if **Franchisee**:
- 16.3.1 fails to meet or comply with quality control, operations or policy standards and/or procedures, set or prescribed by **Franchisor** from time to time in writing;
 - 16.3.2 fails to undertake regular, additional training to update his services and techniques in respect of 16.3.1.
 - 16.3.3 refuses to allow **Franchisor** to inspect the quality of services performed by **Franchisee**;
 - 16.3.4 fails to maintain a telephone line at the **Location** in the manner required in this Agreement;
 - 16.3.5 solicits customers outside the **Territory** or fails to abide by a decision or follow the guidelines determined by an arbitration board in any dispute between franchisees;
 - 16.3.6 uses unauthorized equipment, cleaning products, supplies or promotional materials without **Franchisor's** prior written consent;
 - 16.3.7 fails to comply with the provisions relating to the sale of the **Franchise**;
 - 16.3.8 A judgment is taken against **Franchisee** and within 14 (Fourteen) days of **Franchisee** becoming aware thereof, he fails to satisfy that judgment in full apply for the rescission thereof or appeal against that judgment and, if he has applied for the rescission or appealed, he has not thereafter prosecuted that application or appeal with all due expediency. **Franchisee** shall not be deemed to be aware of any judgment granted against him, unless he has contested the proceedings which are the subject of that judgment or unless the judgment creditor has caused to be served upon **Franchisee** at his registered office or at his principal place of business a writ of execution pursuant to that judgment, or unless **Franchisor** has by notice in writing delivered to **Franchisee** at its registered office or at its principal place of business, advised **Franchisee** of such judgment.
 - 16.3.9 **Franchisee** makes any arrangements with the general body of his creditors or enters into any compromise with his creditors generally or if a provisional order for sequestration, liquidation or judicial management is made against **Franchisee**.
 - 16.3.10 **Franchisee** (and if **Franchisee** is an artificial person, any of its shareholders, directors, members, partners or trustees) is convicted of any offence or crime which substantially impairs the goodwill associated with the **Chem-Dry System** and/or **Marks**;

- 16.3.11 **Franchisee** has made any material misrepresentation in applying for the **Franchise**;
- 16.3.12 **Franchisee** offers or performs services other than those approved within this Agreement for the class of franchise granted herein;
- 16.3.13 **Franchisee** commits any breach of any of his obligations in terms of this Agreement, all of which shall be deemed to be material, and, if such breach is capable of remedy, **Franchisee** fails to remedy same within 14 (Fourteen) days after receipt of a notice from **Franchisor** calling upon **Franchisee** to remedy such breach.

17 FRANCHISEE'S OBLIGATIONS UPON TERMINATION

- 17.1 Upon termination of this Agreement for any reason, **Franchisee** shall immediately discharge all outstanding liabilities in terms of or pursuant to this Agreement irrespective of whether **Franchisor** may have granted deferred terms or part payment thereof.
- 17.2 **Franchisee** hereby agrees that, upon termination or sooner expiration of this Agreement, he shall take all such action as may be required to cancel all trade or business names relating to the use of the **Marks** or any such material, which indicates an association with **Franchisor** or the **Chem-Dry System**.
- 17.3 **Franchisee** hereby acknowledges that **Franchisor** has the sole rights to and interest in all telephone numbers and directory listings associated with the **Marks** and the **Franchise** and that **Franchisor** is the nominated subscriber of all such lines. Upon termination, **Franchisee** shall not make or receive telephone calls about the Franchised Services. All telephone lines and numbers must be cancelled or transferred to the Franchisor.
- 17.4 **Franchisee** shall provide complete customer listings in writing and transfer forthwith any standing contracts to provide cleaning or other services to **Franchisor** or its nominee, as it may direct.
- 17.5 **Franchisee** shall return all training materials, the operating manual, and videos along with stationery, advertising materials and promotional aids to **Franchisor**. All **Equipment** related to the **Chem-Dry** hot carbonation process must be returned to the **Franchisor**. **Franchisor** shall bear the reasonable costs incurred in the return of such material and Equipment. The Franchisee will be reimbursed for the Equipment as per Schedule 1.

18 RESTRAINT OF TRADE

- 18.1 **Franchisee**, and where **Franchisee** is a company, close corporation, partnership or trust, the shareholders, directors, members, partners, or trustees, as the case may be, and each of them, agree that they will not:
- 18.1.1 for a period of one (1) year following termination for any reason or earlier sale or transfer, without the prior written consent of **Franchisor**, engage in or be employed in any carpet, upholstery, or curtain cleaning business within 30 (Thirty) kilometers of the **Location**;

18.1.2 at any time thereafter reveal or use for the benefit of **Franchisee** or any third party any of the know-how of **Franchisor** or the **Chem-Dry System**;

18.1.3 for a period of one (1) year following termination solicit, interfere with or endeavor to entice away or employ any employee of **Franchisor** or the **Franchise** or other franchisees.

19 SALE BY FRANCHISEE

Subject to **Franchisor's** right of first refusal as hereinafter provided, **Franchisee** may sell his interest under this Agreement but only with the prior written consent of **Franchisor** (which consent shall not unreasonably be withheld) and subject to the following terms and conditions:

19.1 The sale of **Franchisee's** interest shall be effected by the execution by **Franchisor** and the Purchaser of a new franchise agreement on **Franchisor's** then current form for the appropriate class of franchise, but providing for the payment by **Franchisee** to **Franchisor** of a transfer fee for the class of franchise being assigned or transferred in lieu of an Initial Franchisee Fee. The amount of the transfer fee shall during the initial term of this Agreement be 50% (Fifty Percent) of the then current Initial Franchise Fee or R24 500.00 (Twenty-Four Thousand Five Hundred Rand), whichever is the lower, and thereafter 50% (Fifty Percent) of the then current Initial Franchise Fee, plus Vat on the aforementioned amounts.

19.2 The agreement between **Franchisee** and the prospective purchaser shall:

19.2.1 contain a breakdown of the purchase price allocated to goodwill, vehicles, cleaning products, equipment and supplies, and office equipment and supplies; and

19.2.2 be expressed to be conditional upon **Franchisor** approving the prospective purchaser;

19.2.3 entail the sale of the entire **Franchise** and all franchise services, part transferal of services being expressly prohibited;

19.3 Any purported sale or assignment of **Franchisee's** interest under this Agreement or of any rights in the **Franchise** otherwise than in accordance with the terms of this Agreement shall be of no effect and shall constitute a material breach of the Agreement, which shall entitle **Franchisor** to terminate this Agreement forthwith.

20 FRANCHISOR'S RIGHT FOR FIRST REFUSAL

If **Franchisee** proposes to sell or assign the **Franchise**, **Franchisee** shall prepare and deliver to **Franchisor** a purchase agreement in the form prescribed by **Franchisor**. **Franchisor** shall for a period of Fourteen (14) days from the date of delivery of such purchase agreement, have the right, exercisable by written notice to **Franchisee**, to purchase the **Franchise** for the price and on the terms and conditions contained in such purchase agreement.

21 DEATH OR DISABILITY OF FRANCHISEE

Upon the death of **Franchisee**, or adjudicated incapacity as proven by a recognized medical practitioner, the representatives of **Franchisee** shall have the same rights to sell the **Franchise** as are provided to **Franchisee** in terms of this Agreement.

22 CAPACITY AND INDEMNITY

22.1 **Franchisee** is and shall at all times, remain an independent contractor and shall not make any representations or statements or permit any act or course of conduct either itself or through its directors/members, shareholders, agents, employees and/or representatives calculated to or which may indicate or be construed to mean that there is any relationship of agency, joint venture, partnership or employment with **Franchisor** and **Franchisor** shall not be bound in any manner by any agreement, warranty, undertaking or representation made by **Franchisee** with or to any third party.

22.2 **Franchisee** acknowledges that it is not the agent of **Franchisor**; does not have any authority or power to act for or on behalf of or represent **Franchisor** in any manner or capacity whatsoever and undertakes not to attempt or purport to act for or represent **Franchisor**.

22.3 **Franchisee** hereby indemnifies and holds harmless **Franchisor** from and against any liability, loss, damage and/or claims of whatsoever nature and howsoever arising resulting from, connected with, or incidental to the operation and/or carrying on of the **Franchise** by **Franchisee** and its directors/members, officers, employees, agents, representatives and/or nominees.

23 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Republic of South Africa.

24 INSURANCE

Franchisee shall at all times during the Term, maintain in force at his sole expense, comprehensive general liability insurance (including, but not limited to, coverage for public liability, personal injury, products and contractual liability), motor vehicle insurance, employer's liability insurance, if applicable, and such other insurance as **Franchisor** requires, under one or more policies of insurance containing the coverage, from time to time prescribed by **Franchisor**. All such insurance policies shall be issued by an insurance company approved by **Franchisor**, which approval shall not be unreasonably withheld. **Franchisee** shall initially submit to **Franchisor** a copy of the relevant insurance policies and annually submit a copy of the certificate of evidence of the renewal or extension of each such insurance policy

25 PROVISIONS IF FRANCHISEE IS A LEGAL ENTITY

25.1 Each shareholder and director/member, partner or trustee of **Franchisee**, being a company, close corporation, partnership or trust, by his signature hereto binds himself personally to the provisions of this Agreement and, on the terms set out in the Schedule 4, as surety and co-principal debtor in solidum for all the obligations of **Franchisee** in terms of this Agreement.

25.2 **Franchisee**, being a private company/close corporation, shall not permit any shares/interest or fixed loan accounts in the company/close corporation to be transferred without the consent of **Franchisor**, which shall be entitled to require as a condition of the granting of such consent that the transferees of such shares/interest and loan accounts shall bind themselves to the provisions of this Agreement, and as sureties as co-principal debtors in solidum for all the obligations of **Franchisee** in terms of this Agreement.

25.3 **Franchisee**, being a private company/close corporation warrants that its shareholders and directors/members are the signatories of this Agreement.

25.4 In the event that **Franchisee** acts as agent or trustee for a company or close corporation to be formed:

25.4.1 the company or close corporation shall be formed;

25.4.2 the company or close corporation shall ratify the terms of this Agreement;
and

the members of the company or close corporation shall be required to sign agreements of Suretyship in the prescribed form, within 30 days of the date of signature of this Agreement, failing which, the rights and obligations under this Agreement shall be automatically transferred to **Franchisee** personally.

26 DOMICILIA AND NOTICES

26.1 The Parties choose domicilium citandi et executandi ("domicilium") for the purpose of giving notice, the payment of any sum, the service of any process and for any other purpose arising from this Agreement at the following addresses:

Franchisee

Franchisor

The Village Business Centre
Lyme Road South
St Francis Bay 6312

26.2 Each of the Parties shall be entitled from time to time by written notice to the other to vary his domicilium to any other address within the Republic of South Africa, which is not a post office box or poste restante.

26.3 Any notice required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing.

26.4 Any notice given and any payment made by one party to the other ("The Addressee") which:

26.4.1 is delivered by hand during normal trading hours of the addressee at the addressee's domicilium for the time being shall be presumed, until the contrary is proved, to have been received by the addressee at the time of delivery;

26.4.2 is posted by prepaid registered post from an address within the Republic of South Africa to the addressee at the addressee's domicile for the time being, shall be presumed, until the contrary is proved, to have been received on the fifth day after the date of posting.

27 GENERAL

The Parties acknowledge that this Agreement constitutes the entire agreement between them and that:

27.1 No other conditions, stipulations, warranties, express or implied, or representations have been made by any of the Parties or their agents save as are included herein;

27.2 No variation of this Agreement shall be valid unless reduced to writing and signed by the Parties or their duly authorized agents;

27.3 No waiver or indulgence shown by any of the Parties to the others or failure or default on the part of any of them to exercise his rights in terms of this Agreement shall be deemed to be a novation or waiver of any rights in terms of this Agreement.

27.4 **Franchisor** shall be entitled at any time to cede, assign and/or transfer and/or otherwise howsoever deal with its right, title and interest in and to, and obligations under, this Agreement without reference to or obtaining the consent of **Franchisee**.

27.5 This Agreement is personal to **Franchisee** and it may not cede, assign transfer or in any way whatsoever deal with its right, title and interest in and to and under this Agreement without the written consent of **Franchisor**, which consent shall not be unreasonably withheld.

27.6 This Agreement shall be binding upon the parties hereto, their heirs, administrators, executors, successors in title or assigns.

27.7 All provisions of this Agreement shall be severable and no provision shall be affected by the invalidity of any other provision save to the extent that such invalidity also renders such other provision invalid. In the event of the invalidity of any provision, this Agreement shall be interpreted and enforced as if invalid provisions were not contained herein.

27.8 It is understood and acknowledged, that not all the elements of the **Chem-Dry System** and **Marks** are protected by patent or otherwise outside the United States of America and Canada.

28 COSTS

Each Party shall pay its own legal costs incidental to the preparation and signature of this Agreement and all attendances in connection therewith. **Franchisee** agrees to pay all costs incurred by **Franchisor** as a result of having to enforce this Agreement including, without limitation, collection charges and legal costs on the scale as between attorney and client

DATED AT _____ ON THIS THE ____ DAY OF _____ 2020

Witness

Franchisee

DATED AT **ST FRANCIS BAY** ON THIS THE ____ DAY OF _____ 2020

Witness

Franchisor

SCHEDULE 1

PURCHASE PRICE OF FRANCHISE, EQUIPMENT AND ESTABLISHMENT

1. In consideration of the rights granted to **Franchisee** to which this Schedule relates, **Franchisee** undertakes to effect payment of the sum of **R48 500.00 (Forty Eight Thousand Five Hundred Rand)** plus VAT being the initial franchise fee payable on signature hereof.
2. R_____ to cover the cost of the equipment, cleaning solutions, sales and promotional materials supplied herewith, prior to the dispatch of the equipment
3. Establishment cost

| Expenditure | Amount | Comment | Source |
|----------------------|--------------------|---|-----------------------|
| Equipment | R118,000 | | Chem-Dry SA |
| Startup Chemicals | R14,750 | | Chem-Dry SA |
| Promotional Material | R3,500 | | Chem-Dry SA |
| Lease of Property | R0 | Work from Home | |
| Lease of Property | R0 | Included in Monthly Expenditure | 3 rd Party |
| Furniture | R0 | Work from Home | |
| Furniture | R3,500 | Desk & Chair | 3 rd Party |
| Computer & printer | R8,500 | | 3 rd Party |
| Staff Training | R0 | Included in Initial Fee | Chem-Dry SA |
| Travel to St Francis | R3,500 | Area Dependent | 3 rd Party |
| Procure Panel Van | R80,000 - R135,000 | Mid-range or 2 nd hand | 3 rd Party |
| Van Sign Writing | R14,000 | Full Wrap | 3 rd Party |
| Total Cost | R300,750 | Cost can be reduced if own vehicle is suitable or second-hand vehicle is procured. | |

4. The amounts in 1 and 2 above, R _____ (Words) total, reflects the total investment required to establish and operate the class of right granted in terms of this Agreement.
The amount excludes any expenses, any salaries/wages of employees of the franchised business or the servicing of loans.
5. Full payment of the amounts due to Chem-Dry SA is required on the due dates, no funding is provided by the **Franchisor**.
6. Working Capital requirement based on the **Franchisee** having own funds available for the Total Investment required, will be R35 000.00 (Thirty-Five Thousand Rand) for the first 3 months expenditures after which the operation should be self-funding.

7. It is recorded that the **Franchisee** has perused and is familiar with the **Franchisor's** Disclosure documentation as published on www.chemdryfranchise.co.za

8. On termination and on return of the equipment in terms of Clause 17.5 The **Franchisee** will be reimbursed based on the original purchased price of the **Equipment** as follows:

| | |
|----------------------|-------|
| Less than 1 year old | - 75% |
| 1-2 years | - 60% |
| 2-3 years | - 40% |
| 3-5 years | - 20% |

The above is subject to the actual condition of the **Equipment** and the reimbursement will be reduced for any repairs or spares required.

If this is a renewal delete all of the above and insert the below.

1. In view of this being a renewal Agreement, there is no purchase price applicable or new business set supplied herewith.

2. It is recorded that the Franchisee is required to invest in a new Power Head and Base system within 3 months of the Effective date.

3. It is recorded that the **Franchisee** has perused and is familiar with the **Franchisor's** Disclosure documentation as published from time to time.

4. Insert note of balance of months to do Brand Refresh (March 2014) for vehicle.

5. On termination and on return of the equipment in terms of Clause 17.5 The **Franchisee** will be reimbursed based on the original purchased price of the **Equipment** as follows:

| | |
|----------------------|-------|
| Less than 1 year old | - 75% |
| 1-2 years | - 60% |
| 2-3 years | - 40% |
| 3-5 years | - 20% |

The above is subject to the actual condition of the **Equipment** and the reimbursement will be reduced for any repairs or spares required.

If sale of Franchise delete all of above and include all Clauses as agreed with new person plus the one below.

1. It is recorded that the **Franchisee** has perused and is familiar with the **Franchisor's** Disclosure documentation as published on www.chemdryfranchise.co.za

2. On termination and on return of the equipment in terms of Clause 17.5 The **Franchisee** will be reimbursed based on the original purchased price of the **Equipment** as follows:

| | |
|----------------------|-------|
| Less than 1 year old | - 75% |
| 1-2 years | - 60% |
| 2-3 years | - 40% |
| 3-5 years | - 20% |

The above is subject to the actual condition of the **Equipment** and the reimbursement will be reduced for any repairs or spares required.

Witness

Franchisee

Witness

Franchisor

SCHEDULE 2

CLASS OF FRANCHISE

Franchises are granted in two basic service classes for two types of franchised services under the **Chem-Dry System**:

The CLASS E Chem-Dry Franchise grants the rights to operate and perform carpet, upholstery and curtain cleaning and maintenance services.

The CLASS F Chem-Dry Franchise grants the rights of a Class E Franchise in addition to Tile & Stone Care.

Other services may be added to the franchised services granted herein by way of separate Schedules to this Agreement.

Franchisee is hereby authorized by **Franchisor** to operate a CLASS E Franchise as at the date hereof. Any amendments or variations in authorization shall only be effective upon the signature of an amendment or variation to this schedule.

Witness

Franchisee

Witness

Franchisor

SCHEDULE 3

FRANCHISE TERRITORY

The rights granted in the Agreement to which this Schedule is annexed relate to the area covered by the (*Specify YP Publication*) Yellow Pages Directory.

Witness

Franchisee

Witness

Franchisor

SCHEDULE 4

CONDITIONS OF SURETYSHIP

1., Identity Number:,"the SURETY') is bound by the provisions of this deed upon signature notwithstanding the failure of any other person to enter into similar undertakings.
2. Any lenience or extensions of time granted to **Franchisee** by **Franchisor**, or any variation or alteration of **Franchisee's** obligations to **Franchisor** shall not be construed as a waiver of any of **Franchisor's** rights or claims against the SURETY or as a novation of any obligation and shall not release the SURETY from liability under this deed.
3. **Franchisor** may without reference to the SURETY and without discharging, nullifying or affecting the SURETY's liability hereunder in any way:
 - 3.1. take action against **Franchisee**;
 - 3.2. grant time or other indulgence to **Franchisee**;
 - 3.3. come to terms, enter into such arrangements or conclude any agreement, novation or compromise with **Franchisee**;
 - 3.4. from time to time alter, vary and revise any or all of the terms of the arrangements which it may have with **Franchisee**;
 - 3.5. at its discretion, release, abandon or otherwise deal with any security including any other guarantees held by it for the obligations of **Franchisee**;
 - 3.6. obtain any other security for the fulfillment of the obligations of **Franchisee** including additional Suretyship, guarantees or securities, whether real or personal.
4. In the event of the insolvency of **Franchisee** or the liquidation, judicial management or sequestration (whether provisional, final, compulsory or voluntary) of **Franchisee**, or a compromise between **Franchisee** and **Franchisee's** creditors:
 - 4.1. **Franchisor** may accept any dividend or other payment which may be received from any other person in respect of the claims of **Franchisor** against **Franchisee** on account and in reduction of **Franchisee's** indebtedness without prejudice to its rights against the SURETY and such dividend or other payment shall be appropriated first to the payment of that part, if any, of **Franchisee's** indebtedness to **Franchisor** which is not covered by this Suretyship;
 - 4.2. **Franchisor** may accept any other securities, guarantees or Suretyship's arising out of such liquidation or judicial management or sequestration without prejudice to its rights against the SURETY;
 - 4.3. **Franchisor** shall be entitled to accept any offer of compromise made by or on behalf of **Franchisee** without prejudice to its rights against the SURETY;

- 4.4. the SURETY binds itself not to lodge or prove any claims against **Franchisee** except with the prior written consent of **Franchisor**;
- 4.5. **Franchisor** shall be entitled, notwithstanding any payment received from the SURETY, to prove a claim against the estate of **Franchisee** for the full amount of the indebtedness of **Franchisee** at the date of insolvency, liquidation, compromise, sequestration or judicial management, as the case may be;
- 4.6. **Franchisor** shall be entitled to recover the full amount of **Franchisee's** indebtedness from SURETY notwithstanding the fact that **Franchisor** is likely to be awarded a dividend from **Franchisee** or may receive any other payment in respect of its claims against **Franchisee**. If the full amount of **Franchisee's** indebtedness to **Franchisor** has been paid, the SURETY shall be entitled to a refund of such dividend or other payment upon its receipt by **Franchisor**.
5. The SURETY stand surety and bind it for all indebtedness by the **Franchisee** to the **Franchisor**. The **Franchisor** shall be entitled to recover the full amount of the indebtedness from SURETY.
6. A certificate under the hand of **Franchisor**, (or where **Franchisor** is a company, any director of **Franchisor** whose appointment and authority need not be proved) as to any amount due and owing by the SURETY in terms of this deed and that such amount is due and payable, shall constitute *prima facie* proof of the matters therein stated for all purposes including, without limitation, summary judgment and provisional sentence proceedings.
7. **Franchisor** shall be entitled to apply any money received from **Franchisee** or from the SURETY under this deed to such indebtedness of **Franchisee** and in such manner as it in its discretion deems fit and, in particular, to the payment of that part, if any, of **Franchisee's** indebtedness to **Franchisor** which is not covered by this Suretyship or which represents a liability not recoverable in law.
8. The SURETY hereby renounces the benefits of the defenses of no cause of indebtedness, excussion, division and cession of action. The SURETY acknowledges that it is acquainted with the full force of these exceptions.

The SURETY chooses domicilium citandi et executandi for all purposes arising out of this deed at the domicile stated in the Franchise Agreement to which this Suretyship is attached and applies.

9. The SURETY shall give **Franchisor** two weeks' notice in writing prior to any changes in the SURETY's address and shall in such notice specify its new address which address shall not be a post office box or poste restante. Such change shall be applicable only upon **Franchisor's** written acknowledgment of receipt of such notice. Should the SURETY fail to give valid notice, **Franchisor** shall be entitled forthwith to employ tracing agents to ascertain the SURETY's new address. The charges of such tracing agents shall be paid by the SURETY.
10. The SURETY consents to the jurisdiction of the magistrate's court having jurisdiction in terms of section 28 of the Magistrate's Court Act in respect of any action arising from this deed, which would otherwise be beyond the jurisdiction

of the magistrate's court, provided that **Franchisor** shall not be obliged to institute action in the magistrate's court.

11. The SURETY agrees to pay all costs incurred by **Franchisor** as a result of having to enforce this deed including, without limitation, collection charges and legal costs on the scale as between attorney and client.
12. This deed constitutes the entire undertaking by the SURETY and no oral or collateral agreements, additions, variations, alterations, waivers, abandonment's or cancellations shall be of any force or effect unless reduced to writing and signed by both the SURETY and **Franchisor**. No relaxation or indulgence granted by **Franchisor** to the SURETY shall in any way prejudice **Franchisor's** rights nor be construed as a waiver thereof.
13. As collateral security for the discharge of the obligations assumed by the SURETY hereunder, the SURETY hereby cedes, assigns and makes over to **Franchisor** all its rights, title and interest in and to any amounts which may now or hereafter become owing by **Franchisee** to the SURETY from any cause of indebtedness whatsoever.
14. Any reference to a particular gender of the personal pronoun in this deed shall be taken to be a reference to one of the other genders of the personal pronoun in appropriate circumstances.

Witness

Franchisee

Witness

Franchisor

SCHEDULE 5

PRODUCTS AND EQUIPMENT

| CODE | DESCRIPTION | CODE | DESCRIPTION |
|-------------|----------------------------|-----------------|--------------------------------|
| C015-G | TG7 TILE & GROUT CLEANER | C950 -12 | GREASE & OIL REMOVER - 12 |
| C014-G | TG 2 TILE & GROUT CLEANER | C030 -12 | DUST MITE ANTI ALLERGEN |
| C013-G | TILE & GROUT SEALER | C056-QT | GRANITE CLEANER STEP 1 |
| C012-QT | TG 12 MAIN CLEANER T&S | C057-QT | GRANITE RESIDUE REMOVER STEP 2 |
| C009-G | CCP GOLD | C058-QT | GRANITE TOP SEALER STEP 3 |
| C020 | MILGO – PLUS | C059-QT | GRANITE TOP POLISH STEP 4 |
| C020-SR | MILGO - SR DEODORISER | C086-G | VCT STRIPPER |
| C030-G | DUST MITE ANTI-ALLERGEN | C089-G | VCT SCRUB |
| C041-POWDER | PURT - 8 PORTIONS | C085-G | VCT FINISH |
| C039-G | DYE LOCK | Z-E2110-SL-017C | P/B 10X VACUUM MOTOR |
| C026-V | THE NATURAL V - 20 PKTS | E020 | 3 GALLON SPRAYER |
| C047-G | POWERGUARD PROTECTANT | E081 | SPRAY WAND COMPLETE |
| C053-C | LEATHER CLEANER | EU011 | S/S UPHOLSTERY TOOL |
| C053-P | LEATHER PROTECTOR | E150-1 | CARRY ALL BAG |
| C060-QT | BROWN OUT REMOVER | E091 | BONE SCRAPER |
| C100-G | LAVENDORIA | E155-220 | TILE MACHINE 220V |
| C110-PT | SOLVENT SPOTTER GEL | E2010-220-CE | POWER BASE 10 220V |
| C121-QT | RED ALERT | EWR08 | MOISTURE DETECTOR - NEW |
| C155-G | PROTEXTILE | E050 | 19" BUFFER PAD |
| C156-G | AQUAGUARD | E071 | 18" G/GROOM HEAD - HARD |
| C171-G | GREEN MONSTER | E072 | 18" RAKE HANDLE |
| C178-QT | FILTRATION LINE REMOVER | E090 | HAND BRUSH |
| C181-PT | INK REMOVER | E140-220 | AIR MOVER - 220 VOLTAGE |
| C190-G | READY TO USE SPOT REMOVER | E181 | GRANDI BRUSH HEAD - SOFT |
| C193 | RUST REMOVER III | E2000-220 | POWER HEAD |
| C194 | RR ACCELERATOR | E2000-CCB | PH SCRUB BRUSH |
| C200-A | STAIN OUT PART A | E2000--AD | PH PAD DRIVER |
| C200-B | STAIN OUT PART B | E005-220V | POWER PRO CLEANING MACHINE |
| C195 | RR NEUTRALISER | E164 | GROUT WAND |
| C364-G | LEMON GROVE - BULK | E156 | T&S FLOOR SPINNER |
| CU002 | UPH & DRAP DRY CLEAN SOL | E210 | T&S HAND SPINNER |
| C037-QT | PET ODOR REMOVER | E161 | GROUT BRUSH |
| C176-G | THRASHER PRESPRAY | E162 | GROUT BRUSH HANDLE |
| C066-QT | FRINGE BLEACH | E171 | WET FLOOR SIGN |
| CU043 | DOUBLE INDEMNITY - 16 PKTS | E184 | NYLON GROUT BRUSH |
| CU050-G | UPH WET CLEANER | P002 | MULTI-PURPOSE BROCHURES |
| CU053-G | UPH SOLVENT PRESPRAY | P005-J | JOB ESTIMATE SHEETS - 100 |
| C1115 | INK LIFTER | P131 | JOB INVOICES - 250 |
| C190-PF24 | WHITE AEROSOLS - 24 | A032-NEW | FRIDGE MAGNETS - 500 |
| C309 -12 | LEMON GROVE STMS - 12 | A223 | PEAK – NAVY |
| C063-G | DYE DEFENDER | A201 S-XXXL | GREEN GOLF SHIRT |
| C070-QT | DEFOAMER | A222 S-XXXL | NAVY GOLF SHIRT |
| C307 -12 | CINNAMON / APPLE STMS - 12 | A216 S-XXXL | WHITE GOLF SHIRT |
| C250 -12 | FABRIC PROTECTOR - 12 | A219 S-XXXL | NAVY JERSEY |
| | | A204 S-XXXL | BODY WARMERS |

Note: All spares for the Power Head and Power Base to be purchased from Chem-Dry SA only.

Witness

Franchisee

Witness

Franchisor

SCHEDULE 6

Development and Purchase Schedule

Chemical Purchases for 2019 was _____

If this is new franchise, delete the above and add in Actual Value Purchased for Year One.

The Development Schedule and Product Purchase requirements as described in Clause 4 shall be as follows:

| YEAR | CHEMICAL PURCHASES |
|------|-----------------------|
| 1. | Increase with CPI +3% |
| 2. | Increase with CPI +3% |
| 3. | Increase with CPI +3% |
| 4, | Increase with CPI +3% |
| 5. | Increase with CPI +3% |

Witness

Witness

Franchisee

Franchisor

SCHEDULE 7

Operational Standards and Quality Control Guidelines

Chem-Dry's Operational Standards and Quality Control Guidelines set forth below are intended to assure that all consumers have positive experiences with the brand. As all Franchisees follow the guidelines, the collective system will grow in the marketplace and the brand will become more valuable for all Franchisees. All Franchisees are contractually required in terms of Clause 7.4 of their Franchise Agreements to comply with the Operational Standards and Quality Control Guidelines. Failure to do so is a breach of the Franchise Agreement and grounds for termination of the franchise. Recommended guidelines are included at the end of each section *in italics*; at this time, these recommended and not mandatory requirements. Franchisees must also instruct their employees to conduct their business activities according to these guidelines and that all information provided is confidential and is only for use within the Chem-Dry system. **These guidelines supersede any and all issued prior to June 2017.**

Delighting the Customer

Deliver Chem-Dry's Superior Cleaning Results to the End-Consumer

1. New FRANCHISEES must complete mandatory training in St Francis Bay. FRANCHISEE must pass Chem-Dry Program Certification Exam. Existing FRANCHISEES acquiring an additional franchise may be required to attend an additional training event in St Francis Bay.
2. All of FRANCHISEE'S employees who perform cleaning or CSR Services must also take and pass the current Chem-Dry Program Certification Exam.
3. FRANCHISEE must complete updated training, as defined by H/O, on at least an annual basis. All certification is only valid for 2 (two) years.
4. FRANCHISEE must keep updated on all information provided by H/O by reading or watching all newsletters, notices, mailers, training manuals, videos, Material Safety Data Sheets, etc.
5. FRANCHISEE must follow all mixing, cleaning, and training techniques set forth in the most current training manuals, tapes, seminars, newsletters and other information provided by H/O for the cleaning process they are performing. FRANCHISEE must also follow all instructions or warnings on the directions and/or Material Safety Data Sheets provided with each product.
6. FRANCHISEE must maintain a current copy of all Material Safety Data Sheets on each van (vehicle) in the office and in the storage area.
7. FRANCHISEE must implement the latest training, products, equipment and technologies available from H/O, including the Five Star Technician Certification Programme. FRANCHISEE is responsible for training all employees and teaching any new or updated information as needed or required. The FRANCHISEE is responsible to monitor the employee's performance in the field and with customers to maintain the Quality Control Standards set by H/O.

8. FRANCHISEE must properly test all carpets and fabrics for compatibility with the cleaning solutions to be used before providing services. FRANCHISEE accepts full liability for all products and procedures used.
9. FRANCHISEE must use only solutions purchased from H/O and equipment provided or approved in writing by H/O.
10. FRANCHISEE and his employees must not offer for sale, services or products that are in direct competition with other Chem-Dry services or products, or make it appear to a customer to be a Chem-Dry service or product.
11. H/O or its appointed agents shall have the right at any reasonable time and without prior notice to: (a) Inspect FRANCHISEE'S equipment and the Servicing Vans; (b) Inspect FRANCHISEE'S location from which it operates; (c) observe FRANCHISEE and all employees in the performance of services; (d) inspect any job performed by FRANCHISEE and obtain a sample of cleaning solution used; and (e) contact and interview customers of FRANCHISEE; (f) engage in mystery shopping or other means of assessing FRANCHISEE'S performance.
12. FRANCHISEE understands that the cost of any "failed" quality control evaluations will be billed directly to the FRANCHISEE'S account in addition to other appropriate consequences. If a "failed" evaluation results in another FRANCHISEE having to redo the job at H/O discretion, that invoice will also be charged directly to the offending FRANCHISEE. A "failed" evaluation includes, but is not limited to, use of NON Chem-Dry products and/or equipment, improper cleaning procedures, improper dilution of The Natural and/or servicing outside of the franchised area.
13. FRANCHISEE must comply with any Quality Control request (s) in completing surveys, questionnaires, providing photos of vans, providing cleaning solution samples and/or other requests of the same or similar nature.

**FRANCHISEE should conduct monthly employee training sessions to ensure that proper procedures are followed. A comprehensive set of Staff Meeting Agendas has been prepared for your use and is available on the Chem Dry Gateway.*

Offer the Full Menu of Services

1. FRANCHISEE must offer a service menu to end-customers, including all items on the Chem-Dry standard menu below and perform these minimum required services. The minimum required services shall be subject to change by H/O at its sole discretion as new products or services are added, changed or reformulated, and as old products or services are deleted.

The current minimum required services Evidenced by:
are:

| | |
|--|--|
| Carpet Cleaning using the approved general cleaner, currently The Natural® | Using The Natural® for all primary cleaning. Meeting of Annual Minimum Purchase Requirement. |
|--|--|

| | |
|---------------------------|--|
| PowerHead® / HCE Cleaning | Offer all customers PowerHead® and HCE Cleaning on the FRANCHISEE'S regularly used service menu. |
|---------------------------|--|

| | |
|--|--|
| Chem-Dry Protectant | Offer Chem-Dry Protectant to your customers on every job. |
| Expert Stain Removal | Purchase, have on every van and use the full range of Chem-Dry spot removal products including Stain-Out (formerly Coffee Remover), Ink Remover, Rust Remover III, Chem-Dry's World Famous™ PF Spot Remover and Red Alert® Stain Treatment |
| Upholstery Cleaning | Availability and use of the necessary equipment and products on every van. |
| P.U.R.T. ® Pet Urine Removal Treatment | Do P.U.R.T evaluation during pre-inspection and offer P.U.R.T treatment if required. |

You must use the proper Chem-Dry Protectant Power Guard Concentrate with The Natural formula. Using is differently could cause problems with the protection on the carpet as well as equipment damage. The Protectant can be added to the Natural or a Post Application after the clean can also be done.

ALL FRANCHISEES are required to stock sufficient equipment and supplies to offer and perform each of these services and to perform each of these services within a reasonable amount of time from any request for the required service. A reasonable supply of all cleaning and spotting products should be carried on each van to perform any type of cleaning requested while at a job.

- FRANCHISEE may only provide approved additional services under the Chem-Dry name and must use the Chem-Dry name when providing such services. Some services require that FRANCHISEE be certified by H/O before such services are provided.

| Service: | Certification Requirements: |
|----------------------------|--|
| Water Damage Restoration | Part of initial Training or as approved by Head Office |
| Leather Clean & Protect | Part of initial Training or as approved by Head Office |
| Curtain & Drapery Cleaning | Part of initial Training or as approved by Head Office |
| Tile and Stone cleaning | Part of initial Training or as approved by Head Office |

The List of services requiring certification by H/O is subject to change

Upon completion of any or all the above training and/or tests, FRANCHISEE will be issued with a certificate by Head Office. All certification is valid for a period of 2(two) years only.

Provide Friendly, Courteous Customer Service

1. FRANCHISEE and technicians must display friendliness, courtesy, punctuality and professionalism. The customer must be contacted by the FRANCHISEE or the technician if there is any change to the scheduled appointment.
2. FRANCHISEE must service the entire franchise territory and be able to respond to any customer request for approved franchise services, anywhere within the franchised area, within 5 business days.
3. FRANCHISEE must respond to customer complaints in a professional, courteous manner. FRANCHISEE must quickly respond (within 24 hours) to customer complaints and take all reasonable steps to ensure customer satisfaction. When customer complaints are received by H/O and forwarded to FRANCHISEE, FRANCHISEE must provide H/O with a written explanation outlining the nature of the problem and what steps are being taken to ensure customer satisfaction. Such written explanations must be provided to H/O within 1 (one) business day of receipt of any forwarded complaint.
4. FRANCHISEE must accept full responsibility for the quality of the work performed by the FRANCHISEE and all employees. FRANCHISEE must make it clear to all third parties that his franchise is an independent business and that he is not an agent or employee of H/O in any manner.

** Go the extra mile (i.e.) completing extra steps such as wiping the baseboards, sweeping the porch, cleaning the welcome mat, etc.)*

Present a Professional Chem-Dry Image

1. FRANCHISEE must ensure that employees, equipment and vans appear in a clean, neat and professional manner at all times, marked in accordance with the current Chem-Dry logo guidelines.
2. Employees must wear the approved Chem-Dry uniform on every job.
3. Vans used on every job must be clean, well maintained (i.e. Rust free, dent free) White and marked with an approved decal package in accordance with the current Chem-Dry logo guidelines. (See the Advertising Guidelines for sample).
4. All equipment must be clean, well maintained, scratch and dent free. Serviced regularly, all part subject to wear replaced as recommended.

Demonstrate Absolute Trustworthiness

1. FRANCHISEE must conduct business in an ethical, professional and reasonable manner so as to protect and uphold the good name and reputation enjoyed by the Chem-Dry system as a whole. Employees are to be trustworthy, ethical and honest in all business dealings.
2. FRANCHISEE must know and meet all requirements of local, and national laws governing the operation of the franchise.

Winning New Customers

1. All ads must use high quality ad designs, proper logos and be in compliance with all Advertising Rules and Guidelines. All advertising must be submitted to Head Office for approval.
2. FRANCHISEE must follow the current Advertising Rules & Guidelines and the guidelines for the proper use of the Chem-Dry trademarks, service marks and logos.
3. All advertising must contain the phrase: **Independently Owned and Operated**. This phrase must appear conspicuously and be clearly visible. For example: All advertising placed in any media must contain this phrase, as well as all vehicles, business cards, sample bottles, invoices and estimate sheets, etc. (The only exception is with office building signs – this phrase does not have to be included.)

Word of Mouth and Neighbourhood Marketing

- *FRANCHISEE should maximize word-of-mouth advertising by requesting at least two referrals on every job.*
- *FRANCHISEE should use the five-around procedure, contacting, mailing or leaving a flyer with customers' neighbours after every job.*

Other Marketing to New Customers

- FRANCHISEES are expected to aggressively, constantly and consistently market their services to potential new customers, using advertisements, coupons, flyers, public relations, internet and other marketing tools.
- *FRANCHISEE should track advertising results carefully to ensure maximum return on marketing expenditures.*
- *FRANCHISEE should participate in area advertising cooperatives and system-wide programmes to leverage the collective power of the Chem-Dry brand.*

Phones and Upselling

1. FRANCHISEE must have a business phone that is answered live during regular business hours (8am – 5pm) Monday through Friday) with the full approved name of the franchise. Phone may not simply be answered “Chem-Dry”.
2. FRANCHISEE must have a Voicemail/Answering Machine system for after hours.
3. All employees answering the phone must have an understanding of the Chem-Dry system and ability to close and schedule a job and sell price-oriented shoppers on the benefits of Chem-Dry and additional services. Completion of the CSR certification is compulsory for all employees answering the phone.
4. The use of a toll-free telephone number must be approved by H/O. It cannot contain the words Chem-Dry spelled out and must only service your Franchised Area. If the toll-free telephone number can be reached from outside your Franchised Area it will not be approved.

5. If you choose to have an approved toll-free number for your business, you must also provide a regular number to H/O so that you can be reached during business hours. When submitting your toll-free number request to H/O you must state why you feel you need a toll-free number for your franchise business. The specific purpose for a toll free number is for the convenience of customers within your Franchised Area, meaning that if there are prefixes within your Area that are a toll call for your customers, then a toll free number would be considered.
6. The use of auto dialers/telemarketing machines is prohibited.
7. FRANCHISEE must give every customer the opportunity to purchase Chem-Dry Protectant, Professional Strength Spot Remover, a PURT Evaluation and Sanitizing at 20% of the cleaning Cost on every job. The 3-Tier Menu has proven to be an effective tool for many FRANCHISEES.
 - *FRANCHISEE should offer additional services on every phone call. An example is asking the customer, "Will you be needing any upholstery cleaned while we are there?"*
 - *FRANCHISEE should recommend all Chem-Dry products and services that will help the customer take care of their carpet and upholstery investments.*

Increasing Customer Loyalty and Repeat Business

1. FRANCHISEE must have and regularly use an effective computer database to maintain their customer base and regularly and cost-effectively contact customers.
2. FRANCHISEE must retain lists of all customers, in English (for a minimum of 3 years), with phone numbers and complete addresses, to whom franchised services have been provided and must make such lists available to H/O upon request. H/O may use such lists for the purposes of conducting Quality Control surveys or other purposes. The list must be available electronically and by hard copy.
3. FRANCHISEE must contact the previous day's customers to make sure everything was completed to their satisfaction, to express thanks, to seek referrals and perhaps book a next cleaning. If customer is not satisfied, visit customer to ensure all complaints are dealt with to the customer's satisfaction.
4. FRANCHISEE must mail to all of their customers at least 4 times per year. H/O must be added to the mailing list in order to be able to receive and document the required mailings.
 - *It is recommended that FRANCHISEE contact (mail/call) all of their customers with 6-month cleaning reminders and thank you notes. These mailings/calls are in addition to the required 4 times mailing noted above.*

Business Management and Other

1. FRANCHISEE must maintain general business liability coverage as well as vehicle liability coverage as a condition for receiving or maintaining a franchise. The minimum amount of business liability coverage required is R1,000,000 per occurrence for the business coverage and sufficient coverage for each vehicle used in the business. The business liability insurance policy must state that the work product is covered at a minimum of R50,000 per occurrence and that there is no “workmanship” or “care”, custody, and control” exclusion. An acceptable Certificate of Insurance for both the business and any vehicles used in the business is required within thirty (30) days of signing an Agreement and at each insurance renewal or at least once per year.

2. FRANCHISEE must keep H/O notified in writing of all changes in mailing address, e-mail address, fax and/or phone numbers. Mail or shipments sent to outdated addresses will be the responsibility of the FRANCHISEE if changes are not sent to H/O in writing. All change requests must be signed by all owners of the franchise.
 - *FRANCHISEE should aggressively schedule jobs, seeking to fill every time slot, meeting customer’s emergency needs – using a “never pass up a job” mentality. FRANCHISEE should add vans and/or crews to effectively meet demand.*

 - *FRANCHISEE should set growth goals and diligently strive to achieve them. Plan in advance of growth by hiring and training new technicians in advance and preparing for change.*

 - *FRANCHISEE should study their financial information (revenue and expenses), making adjustments as needed.*

Additional Operation Standards and Quality Control Guidelines may become effective at the discretion of HRI for the good of the Chem-Dry System.

Witness:

Franchisee:

Witness:

Franchisor:

Schedule 8

Specimen and Minimum Requirements for Written Authority and Mandate for Debit Payment Instructions

A. Authority

Given by (name of account holder) _____

Address _____

Bank _____

Branch and Code _____

Account Number _____

Type of Account (**delete that which is not applicable**) Current (cheque) / Savings / Transmission

National Advertising Clause 7.9

Amount _____

Date *on the 20th Day of each month*

Franchise Fee Clause 7.10

Amount _____

Date *on the 10th day of each month.*

To (name of beneficiary) *Chem-Dry Sa CC*

Abbreviated Name as Registered with the Bank *ChemDrySA*

Beneficiary's Address *Village Shopping Centre*

St Francis Bay

This signed Authority and Mandate refers to our contract dated _____ ("the Agreement").

I/We hereby authorise you to issue and deliver payment instructions to your Banker for collection against my/our above-mentioned account at my/our above-mentioned Bank (or any other Bank or branch to which I/we may transfer my/our account) on condition that the sum of such payment instructions will never exceed my/our obligations as agreed to in the Agreement and commencing on _____ and continuing until this Authority and Mandate is terminated by me/us by giving you notice in writing of not less than 20 ordinary working days, and sent by prepaid registered post or delivered to your address as indicated above. *The amounts will increase annually as allowed for in Clause 7 of the Agreement.*

The individual payment instructions so authorised to be issued must be issued and delivered as follows: monthly.

In the event that the payment day falls on a Sunday, or recognised South African public holiday, the payment day will automatically be the very next ordinary business day.

I/We understand that the withdrawals hereby authorised will be processed through a computerised system provided by the South African Banks. I also understand that details of each withdrawal will be printed on my Bank statement. Such must contain a number, which must be included in the said payment instruction and if provided to me should enable me to identify the Agreement. This number must be added to this form in Section E before the issuing of any payment instruction.

B. Mandate

I/We acknowledge that all payment instructions issued by you shall be treated by my/our above-mentioned Bank as if the instructions have been issued by me/us personally.

C. Cancellation

I/We agree that although this Authority and Mandate may be cancelled by me/us, such cancellation will not cancel the Agreement. I/We shall not be entitled to any refund of amounts which you have withdrawn while this Authority was in force, if such amounts were legally owing to you.

D. Assignment

I/We acknowledge that this Authority may be ceded or assigned to a third party if the Agreement is also ceded or assigned to that third party, but in the absence of such assignment of the Agreement, this Authority and Mandate cannot be assigned to any third party.

Signed at _____ on this _____ day of _____

(Signature as used for operating on the account)

(Assisted By)

E. Agreement Reference Number

This Agreement reference number is _____ (*Franchise number*)