

Newfurn Floor Coverings Ltd
Membership Agreement Summary
October 2021

Below is a plain English summary of the agreement. This summary should be read in conjunction with the agreement as it does not comment on every detail.

Recitals

Simply a background of the parties. The recitals explain the nature of the relationship the member has with the group and in particular the member's independence and freedom of speech, and right to resign, if ultimately the member is strongly opposed to the group's direction.

Clause 1 - Membership

This clause states the member will hold 4,000 shares, pay an administration fee upon joining and pay ongoing levies and fees.

It is further acknowledged that when Newfurn reviews applications for membership, it will consult with the nearest members and only admit new members if it believes the applicant will not substantially impact on those members nearest the applicant.

The clause further states the member agrees to be bound by the Articles of Association and any changes to the Agreement approved by members at a General Meeting.

Clause 2 - Intellectual Property

The agreement grants to the member the right to use the Choices and Choices Flooring trademarks (logo), the Choices and Choices Flooring names and any related logos, colours, etc.

The member is authorised to use the name, logo, etc. and in certain circumstances, agrees to keep information confidential and protect the group and its member's reputation.

The reference to "goodwill" is in relation to the group's goodwill in the logo, not the goodwill a store may generate in respect to its own business.

Clause 3 - Newfurn's Obligations

Newfurn agrees to provide samples, price books and other items upon the member joining. On an ongoing basis Newfurn will source product, provide knowledge, training and marketing. It may vary the level of services between members and areas. Notice of meetings will be given, at which members will have the right to speak and are expected to attend. Newfurn further agrees not to materially discriminate against any member or group of members.

Clause 4 - Operational

Upon signing the agreement, the member agrees to establish the correct signage, maintain a well presented store, attend training sessions, maintain adequate insurance, not join another floor covering group, not to conduct a direct account with preferred suppliers, and ensure any proposed changes in business structure are notified to Newfurn.

Newfurn has the right to impose levies, and if it introduces an integrated computer network, the member will acquire the necessary equipment to become connected. The services provided by Newfurn are only for use at licensed outlets. The clause also confirms that if the member sells "complimentary" lines (e.g., window furnishings or rugs), they will be confined to one section of the store and not dominate the store. Further, the clause confirms a member may operate unidentified outlets; however they must not appear related to Choices. Thus sample and drape labelling must not feature Choices, without written permission.

Perhaps the most important aspect of this clause is the reference to "wholesaling". Wholesaling of exclusive group lines is prohibited to non-group retailers or persons who may on sell such products. In addition, a member will also not sell other lines (from preferred suppliers) to non-group retailers if the member suspects that retailer will disrupt a fellow member.

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Clause 5 - Conduct of Member's Business

This clause details that the member will conduct his business in a proper manner in accordance with the law, and give prominence to preferred supplier lines, in a properly merchandised and managed business, offering good customer service and dealing ethically and fairly with customers, employees, contractors and suppliers. This clause also requires the member to comply with the *Privacy Act 1988* (Cth).

Further, the member agrees to adequately support preferred suppliers and acknowledges that his business is independent of Newfurn. The remainder of the clause outlines that if the Board do not consider the member is performing to reasonable stipulated levels after a certain time, the member will have breached the agreement.

Clause 6 - Members Trading

The member will agree to provide any necessary financial information to assist in the granting of or renewal of a credit facility. The member will provide whatever securities that Newfurn may deem necessary.

The balance of the clause covers the ordering process, title in the goods, compliance with trading terms, payment of levies, interest on overdue accounts, withholding of rebates and discounts, and the providing of certain financial information if requested.

Newfurn agrees to keep confidential any information provided to it by the member.

Clause 7 - Marketing

The member agrees to pay the marketing levies agreed to by members in each region, to be included (at its cost) in telephone directories and to take part in all general promotions. Minimum quantities of catalogues are to be ordered and distributed, and display material used.

Special regional promotions must be supported if a majority of members in that region agree to participate. Exemption from marketing activities will only be granted by the Board in exceptional circumstances.

Clause 8 - Membership Code of Conduct

The member agrees to comply with the Code of Conduct. A copy of the Code is attached to the agreement.

Clause 9 - Indemnity

The member indemnifies Newfurn from any claims against it as a consequence of the member's activities.

Clause 10 - Restraints

This clause is designed to prevent a member, who having resigned from the group, from setting up another new group or recruiting members of Newfurn to participate in a new group, for a specified period of time. The member must remain as a member of Choices for 2 years.

Clause 11 – Assignment, Transfer and Sale of Business

The rights and obligations of this agreement belong to the member only and cannot be transferred, assigned or otherwise dealt with (by Newfurn or the member) without the approval of the other party. Should a member sell their business, the agreement may be terminated by Newfurn provided it specifies why, although Newfurn will if the purchaser meets necessary criteria, grant membership to the purchaser.

Clause 12 - Guarantees

If the member is a company, the Board may request the shareholders of the member to execute a guarantee of the member's obligations under the agreement.

Clause 13 - Term of Membership and Termination

The term of the agreement is indefinite. A member may terminate on thirty days notice. Newfurn may terminate the agreement if breaches by the member are not remedied within thirty days of receiving written notice, or with seven

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days written notice under special conditions including if the member becomes financially insolvent (or similar) or commits a criminal offence.

Clause 14 – Cooling Off

The member may terminate the agreement by written notice to Newfurn within 14 days of executing the agreement (except for renewal or change of scope). Other cooling off provisions apply for transfers of the agreement.

Upon termination, the member agrees to dispose of his shares in the group, appointing the Board to undertake this, if necessary, by granting a power of attorney for this purpose.

In addition, the member will cease to use the trademarks, return confidential information, amend their business name if necessary and pay their account.

The member will co-operate if necessary to allow Newfurn to remove signage and amend telephone listings which include the trademark.

Newfurn has the option but not the obligation to purchase the store display hardware, equipment and samples at written down tax depreciated value.

Clause 15 - Option to Purchase

In the event that the member decides to sell his business, the member will grant Newfurn the first option to purchase it. Newfurn will not have this right if the sale of the business is to be to a family member or employee of the member, or if a restructuring of the interests of the existing shareholders in members business takes place.

The price for the business is the bonafide sale price that the member determines except if the member only acquired the business in the previous twelve months from another member, in which case the price will be the same as that paid by the current member. If Newfurn does not exercise its option, the member is free to sell at terms no more favourable than offered to Newfurn. (This implies that if Newfurn after having declined to buy the business and the member then intends to sell the business at a lower price, the member must give Newfurn the option to match that lower price).

Clause 16 - Dispute Resolution

This clause identifies how a member can resolve disputes that arise in relation to the agreement. The group always endeavours to resolve disputes internally, although if that is not possible, either party may have an alternative dispute resolution practitioner appointed.

Clause 17 – Acknowledgements

The member acknowledges Newfurn has advised the member to read all documentation carefully & seek independent tax, legal & business advise with respect to the agreement & all other aspects of running the business.

Clause 18 - Notice

Mechanical clause regarding notices delivered to the member.

Clause 19 - Interpretation

Mechanical clause detailing definitions, etc.

Clause 20 - General

Mechanical clause detailing state of law applicable, nature of parties, etc.

Membership Code

A Membership Code is attached. The Code reflects the culture and spirit of the group as a co-operative and in effect summarizes the intent of the Agreement.