

Section 12: Franchisee Operations

Balancing your Monthly Bank Statement

Policy No. 12.01

Page 1 of 3

It is very important to take the deposits to the bank everyday. This will ensure your bank statement matches your deposit book. Deposit books must be stamped with the store stamp along with the start and end dates written on the front of the book.

There can be more than one bank statement, because your Visa, MasterCard and Debit machine will be set up through Global Payments. If you wish to have the Global payments account as your main account, then one bank account will be sufficient as they do Visa, MasterCard and Debit Cards. If you would like another financial institution to be your main account, because of a loan etc., then you can set up a transfer through Global payments to have it put into your account at another institution.

Procedures for balancing your monthly bank statement:

1. Open your monthly bank statement. Take out your returned cheques and set aside.
2. Take your deposit book and check off all your cash deposits on the bank statement for the previous month. Always the first day to the last day of the month. They should always match your actual cash deposit. Then circle all deposits in your deposit book that are not on your statement for these will be your outstanding deposits. Add totals of outstanding deposits and put it on last page of your bank statement.
3. Now if you have your Visa, MasterCard and Debit being deposited to this main account as well, you will have to check off every Visa, MasterCard and Debit either from your daily ledger or from your daily sales reports. These deposits should always match with your host reconciliation printed daily from your bank machine in your store. Any outstanding deposits of Visa, MasterCard and Debit should be circled as well then listed on the last page of your bank statement also. Remember always start on the first of every month to the last day of the month.
4. Now that all your deposits are checked off your statement, circle everything that does not have a check mark beside it. Remember your deposits are in the credit column of your bank statement. You should make sure you are aware of the miscellaneous deposits and what they are for, because your accountant will want to know at a later date.
5. Any deposits you have in your deposit book that does not match with your bank statement, you then phone your bank and tell them either there was an error or you are missing the money in your account.
6. Now take all of the returned cheques that were included with your bank statement and check off every amount on your written cheques against your bank statement. The amounts again should be the same as the cheque written, they should also be in order of your bank debit column.

Again circle all debits on your bank statement that do not match with your cheques written. Account for all debits such as bank service charges, Visa, MasterCard, Debit charges, any loans, pre authorized payments, payroll charges, NSF cheques from customers, etc. If there are any debits you cannot account for, again phone your bank and ask them, they are more than willing to help with any errors.

7. Take your returned cheques again, the ones you received from the bank that you have already checked off your statement, and sort them in numeric order in one pile on your desk. Starting with the lowest cheque number first to the most recent last. Now you are ready to take your cheque book and check off all your cheques in your cheque book that have gone through your account.

If you have sorted your cheques in numeric order like mentioned earlier, it will be very easy to check off your numbered cheque stub in your cheque book. Any cheque that you do not have returned to you means it is an outstanding cheque and you should circle the number on your cheque stub. This will mean that it is still outstanding for that month. Remember, start on the first day of the month and end on the last day. Make sure the number on the cheque matches the number on the cheque book and make sure that the amount on your cheque matches the amount in your cheque book. Correct any discrepancies before you give this to your accountant or bookkeeper.

8. Add up all your outstanding cheques which you circled earlier. If your adding machine has a number (#) key enter your cheque stub number first then enter the amount of your cheque stub and hit the plus sign. Continue through your cheque book until all outstanding cheques (circled) are totaled. Remember stop at the end of month. Do not go into the next month of cheques. Take your adding machine total tape and staple this print-out to your last day of the month cheques. This is your outstanding cheques total for the month. Take the total of your outstanding cheques and list it on the last page of your bank statement.

Section 12: Franchisee Operations

Balancing your Monthly Bank Statement

Policy No. 12.01

Page 3 of 3

Example:

April 30	\$11,000.00	<i>Bank Statement Balance</i>
Outstanding Deposits	\$1,050.00	<i>Add your Outstanding Deposit to the Bank Balance</i>
Outstanding Cheques	\$403.00	<i>Subtract your Outstanding cheques from this figure</i>
Outstanding Visa, MC, Debit	\$1808.00	<i>Add to the bank balance</i>
BALANCE:	\$11000.00	
	+ \$1050.00	
	- \$403.00	
	<u>+ \$1808.00</u>	
		<i>= Balance for the beginning of next month</i>

Note:

Remember you have 30 days from statement date to correct any errors at the bank, after that they may not correct any errors for you.

For next month you must remember your circled outstanding deposits and cheques. They will show up on next month's bank statement, (if cashed/processed) which is correct. Just follow the same procedure as previously done and make sure they are checked off on next month's statement, if not that means for next month they again will be outstanding. You should never have a deposit outstanding for longer than 30 days reason being they may have gotten lost etc.

Any cheque in the past 3 months that is still outstanding should be looked into. Either stop payment on the cheque or find it. This will cost you at the bank about \$5.00-\$10.00 service charge to stop payment, so be sure it's missing before you call your bank.

Section 12: Franchisee Operations	Policy No. 12.02
Electronic Funds Transfer Questions and Answers	

Page 1 of 4

Do I have to make arrangements with my bank in order to begin?

No, you do not have to contact your bank. All we need from you is the completed form authorizing electronic payment transfers and an original voided cheque.

Does it matter which financial institution I deal with?

No, you can deal with any financial institution in Canada. You do not have to switch banks.

What will my terms be?

Your terms remain the same. All invoices are due 30 days from invoice date.

Will I see an increase in my service charges?

Depending on the plan you have with your individual bank, you typically do not see any increase in service charges. If you have a set rate that you pay each month, you should not notice any increase unless you go over the allowed number of transactions per month. If you do not have a set plan, you should be charged the same amount for an electronic funds transfer as if you had written a cheque.

If you are applying payment against more than one invoice, will I incur a service charge for each invoice you are paying?

No, we can apply payment to several invoices at a time. You will see one consolidated total on your bank statement. Regardless of the number of invoices, it will count as one transaction item on your account.

What will I see on my bank statement? How will I know which transactions are for my Restore Holdings invoices?

The description on your bank statement will read "Restore Holdings." You will not see the invoice numbers that your payment has been applied against. Depending on your financial institution, you may or may not see more detail however; "Restore Holdings" should always be indicated. If this is not so please contact Head Office and we will look into this for you.

How will I know which invoices my payment has been applied to?

We will notify you by fax exactly which invoices we are applying your payment against, the date the funds will be withdrawn, and the total amount of the withdrawal. We will fax this to you approximately 3 days in advance of the withdrawal.

What if I want to deal with a different financial institution or change my account number?

You may do so; however, you must notify us of the change and re-submit a new original voided cheque to us immediately.

Who can I contact if I feel that my account has been charged incorrectly?

If there are any concerns at all regarding the electronic funds transfer, do not call your financial institution, as they will not have the details you are looking for. If there are any problems whatsoever, please contact Head Office.

What if my payment due date falls on a weekend?

When the payment due date falls on a weekend and/or statutory holiday the funds will be withdrawn from your account on the next business day. Funds will be withdrawn on midnight of the specified due date.

Is it possible that funds will be withdrawn from my account earlier than the invoice due date?

Global assures us payments will not be withdrawn from your accounts earlier than the payment due date specified, even if your financial institution has the withdrawal information in advance of this date.

What if my account has insufficient funds at the time of withdrawal? Will I be charged a service fee?

Depending on the service charge plan you have with your bank, you will likely be charged the same fee as if you had a cheque returned due to insufficient funds.

Pre-Authorized Payments

Here's how Pre-Authorized Payments work.

It's a modern, easy method to make those recurring payments without the inconvenience of cheque writing and the increasing cost of postage or that trip to pay your bills.

With your permission, your payments can be made automatically through your bank or financial institution account.

It's convenient

The Pre-Authorized Payment method eliminates the need for you to write cheques each month for your regular payments.

Depending on whether the company has fixed or flexible payment dates, you can arrange your payment to fit your budget or payday cycle.

It's economical

One authorization is all that is required for a series of payments to be made automatically through your bank or financial institution chequeing account. This means reduced postage and envelope costs.

It's secure

With Pre-Authorized Payments there are no cheques to get lost or stolen - you avoid the embarrassment of missing payments, and the penalty charge for late payments as a result. You may stop payment at any time if you feel it is necessary to do so.

It's assured

If you are away on vacation, out of town on business or sick, your payments will be made on time. Even postal or airline disruptions, in most cases, will not prevent your bill payments from reaching their destination on time.

Business Pre-Authorized Payments

If you are a company and would like to make regularly recurring payments to another company, you can also use Pre-Authorized Payments.

What are your rights and responsibilities?

1. Should an incorrect amount be processed against your account, it will be corrected when you have advised the company that you are paying (the "Company").
2. If your Pre-Authorized Payments are fixed amounts, the Company will provide you with written notice of the date of and the amount to be debited to your account at least ten (10) calendar days before the first payment amount or date. If your Pre-Authorized Payments will vary in amount each payment, the Company must provide you with notice of the amount at least ten (10) days prior to the payment date. If you are making Business Pre-Authorized Payments, you can waive these prenotification requirements.
3. If a payment processed against your account is not in accordance with your authorization, because you cancelled your authorization in writing to the Company, or if prenotification (as set out in section 2 above) was not received, then you can ask your bank (by completing a "Declaration Form" at the branch where your account was debited) any time up to (i) ninety (90) calendar days (in the case of a CONSUMER Pre-Authorized Payment), or (ii) ten (10) calendar days (in the case of a BUSINESS Pre-Authorized Payment) after your account is debited for the payment, to return the payment to you. After these time periods, the Bank is not responsible to return the payment, and you must deal directly with the Company for reimbursement.
4. Should you move your account from one bank or branch to another, you MUST advise the Company of the change and they will arrange a new agreement with you so your payments can continue uninterrupted.
5. You continue to have control just as with cheques you have written. You can instruct the branch to stop a payment before it goes through your account and you can discontinue payments altogether, if desired, by advising the Company in writing.

What about our records?

Here's where we need your help. Please complete the information required on this authorization form and also include one of your personal cheques marked "VOID" and return them to us. Please take thirty (30) seconds and do it right now. From then on it's good-bye to writing cheques.

Pre-Authorized Payment Authorization Form

To: (the "Company")

Purpose: (tick one) ☐ Consumer ☐ Business

Customer(s) Name(s):

Address:

City: Province: Postal Code:

Name of Financial Institution: (the "Bank")

Branch Address:

City: Province:

Bank Number: Transit Number:

Account Number:

I/We (the above named Customer(s)) authorize the Company to debit my/our account indicated above, in the amount of \$ _____ on the _____ day of each month, for _____ months, for payments payable to the Company in respect of

Franchise Fees & Darwin Holdings Inc.

Each payment shall be the same as if I/we had previously issued a cheque authorizing the Bank to pay the Company as indicated and to debit the account specified to my/our account.

I/We will notify the Company promptly in writing if I/we make the account from one bank or branch to another, or if there is any other change in the account.

I/We understand that the Bank is not responsible to verify whether these payments are properly debited to my/our account.

This authorization may be cancelled at any time upon written notice by check to the Company. I/We understand that if I/we cancel this authorization, it does not mean that my/our contract obligations to the Company are ended.

Any delivery of this authorization to the Company constitutes delivery by mail to the Bank.

I/We authorize all the persons who are required to sign on the above account.

I/We have received a signed copy of this authorization form.

Business Pre-Authorized Payments Only

☐ I/We agree to waive the prenotification requirements set out in paragraph two (2) of the section of this form entitled "What are your rights and responsibilities?".

Date: Customer's Signature:

Date: Customer's Signature:

Section 12: Franchisee Operations

Electronic Funds Transfer Questions and Answers

Policy No. 12.02

Page 4 of 4

IMPORTANT!!! ELECTRONIC FUNDS TRANSFER

DARWEN HOLDINGS

THE FOLLOWING AMOUNT WILL BE CHARGED TO YOUR BANK ACCOUNT:

Store Name/#		Date:
Receipt #		

Invoice #	Total	Discount	Withdrawal
	Amount		Amount
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
Total	0.00	0.00	0.00

IMPORTANT!!! ELECTRONIC FUNDS TRANSFER

DARWEN HOLDINGS

THE FOLLOWING AMOUNT WILL BE CHARGED TO YOUR BANK ACCOUNT ON:

Store Name/#		Date:
Receipt #		

Invoice #	Total	Discount	Withdrawal
	Amount	Allowed	Amount
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
Total	0.00	0.00	0.00

Every **Sangster's** business needs a GST (Government Sales Tax) number and PST (Provincial Sales Tax) number (for some provinces).

To apply for a GST/HST number and PST, you will have to contact Canada Revenue and for some provinces the Provincial Government in your province. They will give you forms to fill out and then you have to send them in. You will receive a letter in the mail, letting you know your GST/HST and PST numbers. You can also visit Canada Revenue Agency on-line at: cra-arc.gc.ca and download the GST forms or fill them in on-line. Make sure to click on "businesses" when visiting the home page.

At the Canada Revenue Agency website you can find information on how to: register your new business, open your GST/HST account, open a payroll program account (this is to identify you as an employer when dealing with Revenue Canada), report your GST/HST, pay your GST/HST.

A Business Number (BN) will be given to you to be used for your Payroll, GST/HST and Corporate Tax Returns. This BN is a unique federal government numbering system that identifies your business and the various accounts you maintain. The types of accounts you have (payroll etc.) will have 2 letters after the BN number and 4 numbers for the specific account reference.

Ex:

<u>Account Type</u>	<u>Account Number</u>
Business Number (BN)	12345 6789
GST/HST program account	12345 6789RT 0001
Payroll program account	12345 6789RP 0001

PST returns are submitted to the Minister of Finance in your province. PST is collected and submitted provincially for: British Columbia, Manitoba, and Saskatchewan.

For example in Saskatchewan – go on-line to Government of Saskatchewan: publications.gov.sk.ca to apply for Vendor's License to collect and remit PST.

Section 12: Franchisee Operations GST/HST Returns

Procedure No. 12.04

Page 1 of 4

GST/HST returns should be completed and remitted quarterly (4 times per year). The reporting period and due dates are listed at the top of your return. Your Business Number (BN) and Company Name also appear at the top of your return. Please see sample.

You should complete the following sections.

- Line101 Sales and other revenue - enter your total sales for the reporting period, taxable and non-taxable. Do not include GST, HST, or PST taxes collected.
- Line103 GST/HST collectible - enter the total amount of GST/HST collected on your sales for the reporting period. Total amount of GST/HST that customers paid to the store during this time period.
- Line104 Adjustments - enter any adjustments if necessary. Usually no entries.
- Line105 Total GST/HST and adjustments - Record the total amount of GST/HST collected plus any adjustments. Usually no entries.
- Line106 Input tax credits - Enter the total amount of GST/HST paid on qualifying expenses for the reporting period. The amount of GST/HST you paid to suppliers, etc. on all your payments during this time period.
- Line107 Adjustments - enter any adjustments if necessary. Usually no entries.
- Line108 Total GST/HST - Record the total amount of GST/HST paid less any adjustments. Usually no entry.
- Line109 Net Tax - Subtract line 108 from line 105. This is the total amount of GST/HST collected less the total amount of GST/HST paid for the reporting period.
- Line110 Installment Payments - if you have made installment payments for GST/HST, record the amount here. If not, enter 0. Usually not used.
- Line111 Rebate - if you are expecting any rebates, enter the amount here, if not, enter 0. Usually not used.
- Line112 Total other credits - Add lines 110 & 111 and enter this amount.
- Line113A Balance - Subtract line 112 from line 109. If the result is negative, enter a minus sign in the separate box next to the line number. If this line is negative, you are expecting a refund.

Section 12: Franchisee Operations GST/HST Returns

Procedure No. 12.04

Page 2 of 4

Line 205 & 405 In most cases, these lines will be 0. Please read the back of the form for more detailed information.

Line 113B Add lines 205 and 405, if they do not apply, enter 0.

Line 113C Balance - Add lines 113A and 113B. If the results is negative, enter a minus sign in the separate box next to the line number.

Line 114 & 115 If the results entered on line 113C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113C is a positive amount, enter the amount of your payment on line 115.

Bottom Section Transfer the appropriate numbers from the top section of your report in to the appropriate spaces. This section is either mailed to Revenue Canada or can be taken to the bank where they will in turn send it to Revenue Canada. The top portion is for your records. If you pay the amount owing at the bank, they will stamp the top portion for your records. When completed file your copy of the return.

Section 12: Franchisee Operations

GST/HST Returns

Procedure No. 12.04

Page 3 of 4



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

0063021

GOODS AND SERVICES TAX / HARMONIZED SALES TAX (GST/HST) RETURN FOR REGISTRANTS

Business Number		Name	
Reporting period From: 2004-02-01 To: 2004-04-30	Due date 2004-05-31	Access code	

Part 1
Working copy

- ▶ You may be able to use GST/HST TELEFILE or GST/HST NETFILE to file this return. Refer to "How to use GST/HST TELEFILE or GST/HST NETFILE" on the back of this form.
- ▶ If you cannot use GST/HST TELEFILE or GST/HST NETFILE, copy the amounts from the highlighted line numbers in Part 1 of this return to the corresponding boxes in Part 2. Keep the top portion (Part 1) for your records.

Privacy Act / Personal Information Bank number RCC/P-PU-080.

Enter your total sales and other revenue. Do not include provincial sales tax, GST, or HST. If you are using the Quick Method of accounting, include the GST or HST.	101	00
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NET TAX CALCULATION

Enter the total of all GST and HST amounts that you collected or that became collectible by you in the reporting period.	103	
Enter the total amount of adjustments to be added to the net tax for the reporting period (e.g., the GST/HST obtained from the recovery of a bad debt).	104	

Total GST/HST and adjustments for period (add lines 103 and 104).

Enter the GST/HST you paid or owe on qualifying expenses (input tax credits - ITCs) for the current period and any eligible unclaimed ITCs from a previous period.	106	
Enter the total amount of adjustments to be deducted when determining the net tax for the reporting period (e.g., the GST/HST included in a bad debt).	107	

Total ITCs and adjustments (add lines 106 and 107).

NET TAX (subtract line 107 from line 105). If the result is negative, enter a minus sign in the separate box next to the line number.

OTHER CREDITS, IF APPLICABLE

NOTE: Do not complete line 111 until you have read the instructions in the box on the reverse side of this return.

Enter any instalment and other annual filer payments you made for the reporting period. If the due date of your return is June 15, see instructions on the back.	110	
Enter the total amount of the GST/HST rebates, only if the rebate form indicates that you can claim the amount on this line. Attach the rebate form to this return.	111	

Total other credits (add lines 110 and 111).

BALANCE (subtract line 112 from line 105). If the result is negative, enter a minus sign in the separate box next to the line number.

OTHER DEBITS, IF APPLICABLE

NOTE: Do not complete line 205 or line 405 until you have read the instructions in the box on the reverse side of this return.

Enter the total amount of the GST/HST due on the acquisition of taxable real property.	205	
Enter the total amount of other GST/HST to be self-assessed.	405	

Total other debits (add lines 205 and 405).

BALANCE (add lines 113 A and 113 B). If the result is negative, enter a minus sign in the separate box next to the line number.

Line 114 and line 115: If the result entered on line 113 C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113 C is a positive amount, enter the amount of your payment on line 115.

GST 34-2 E (02) ☐ If you are not using TELEFILE or NETFILE, attach and return lower portion (Part 2)

Sales and other revenue	101	00
Instalments and other annual filer payments	110	
Rebates	111	
GST/HST due on acquisition of taxable real property	205	
Other GST/HST to be self-assessed	405	

From: 2004-02-01 To: 2004-04-30

REFUND CLAIMED	114
PAYMENT ENCLOSED	115

GST/HST RETURN FOR REGISTRANTS

09FS

Part 2
GST34-2 E

Total GST/HST and adjustments for period	105
Total ITCs and adjustments	108
Net tax	109
Refund claimed	114
Payment enclosed	115

I certify that the information given on this return and in any attached documents is, to the best of my knowledge, true, correct, and complete in every respect, and that I am the registrant or that I am authorized to sign on behalf of the registrant. It is a serious offence to make a false return.

Authorized signature

Date

Section 12: Franchisee Operations

GST/HST Returns

Procedure No. 12.04

Page 4 of 4

GENERAL INFORMATION AND INSTRUCTIONS

How to use GST/HST TELEFILE or GST/HST NETFILE

File your return in minutes using our GST/HST TELEFILE or GST/HST NETFILE service. Complete your working copy (Part 1), then access the service of your choice:

GST/HST TELEFILE: Call 1-800-959-2038
GST/HST NETFILE: Access our Web site at www.ccrn.gc.ca/gsthst-netfile

The services are available Monday to Friday from 8:30 a.m. to 6:00 p.m., and Saturday from 8:30 a.m. to 5:00 p.m., local times. They are not available on Sunday or on statutory holidays. At this time, both GST/HST TELEFILE and GST/HST NETFILE can only accept returns that have a nil balance or a refund of \$10,000 or less. Some restrictions apply.

If you cannot use GST/HST TELEFILE or GST/HST NETFILE and you are entitled to a refund, mail your return to the address below.

If you owe money

You may be able to pay electronically through your financial institution's telephone banking, Internet banking, or automated bank machines. Visit our Web site at www.ccrn.gc.ca/electronicpayments or contact your financial institution to see if it offers these services.

To make your payment directly to CCRA, return the bottom portion with your cheque or money order made payable to the Receiver General to the address shown below. To help us credit your payment, write your Business Number on the back of your cheque or money order. To make your payment free of charge at your financial institution in Canada, present this form to the teller with your payment. The teller will return the top portion as your receipt.

Your financial institution will not accept your return and you will have to mail it to us if:

- you are claiming a refund; or
- you are using a photocopy of this form.

If your payment is \$50,000 or more, you must make it at your financial institution in Canada. If you are paying at a financial institution and your return requires attached documentation, you will be asked to send this additional information to us separately.

We will not charge or refund a balance of less than \$2.

Only complete the lines of the return that apply to you. Complete the return in Canadian dollars and sign it.

Copy the amounts from the highlighted boxes in Part 1 of the return to the corresponding boxes in Part 2. Identify a negative number with a minus sign in the separate box next to the line number.

Keep the top part of the return for your records. This is your working copy. The working copy and any other information you use to prepare your return are subject to audit and must be retained for verification purposes.

We will charge a fee for any dishonoured cheque.

Do not staple, attach with a paper clip, tape, or fold your voucher, cheque, or money order.

Do not send us cash.

Please ensure the address below appears in the window of the envelope provided.

CANADA CUSTOMS AND REVENUE AGENCY
TAX CENTRE
PO BOX 14002 STN MAIN
WINNIPEG MB R3C 3P8

Annual filer with a June 15 due date

If you are an individual with business income for income tax purposes and have a December 31 fiscal year-end, the due date of your return is June 15. However, any GST/HST you owe is payable by April 30. This payment should be reported on line 110 of your return.

Check the information on the front for completeness and accuracy. You can use the notification of change on the envelope to change your mailing address, name, and telephone number of the contact person in your organization. For other changes, call our Business Enquiries line at 1-800-959-5252. Do not make any changes to the preprinted information on the return.

Generally, you have to file a GST/HST return for every reporting period, even if the return reports a zero balance.

If you are using the Quick Method of accounting, see our booklet called *Quick Method of Accounting for GST/HST*, and use the line-by-line completion instructions in our guide called *General Information for GST/HST Registrants*.

If you are a charity, see our guide called *GST/HST Information for Charities*, for information on completing your net tax calculation.

For more information on adjustments, input tax credits (ITCs), self-assessing, or completing this return, see our guide called *General Information for GST/HST Registrants* or contact us.

Line 111: Some rebates can reduce or offset your amount owing. Those rebate forms contain a Yes/No question asking you if you want to claim the rebate amount on line 111 of your GST/HST return.

If you want to apply a rebate against the amount owing on this return, check the Yes box on the rebate form. Enter the rebate amount on line 111 of this return. Attach the rebate form to this return and send both to us.

Line 305: Complete this line only if you are a GST/HST registrant who purchases taxable real property for use or supply primarily (more than 50%) in your commercial activities and you are either registered (other than an individual who purchases a residential complex) or purchased the property from a non-resident. If you qualify for an input tax credit (ITC) on the purchase, claim this amount on line 106.

Line 405: Complete this line only if you are a GST/HST registrant who has to self-assess GST/HST on an imported taxable supply or who has to self-assess the provincial part of HST.

Teller's stamp

Teller's stamp

For office use only

Any new supplier you want to deal with or order from for the first time will require you to fill out a Credit Application before you receive an order from them. Fill it out to your best ability and fax it back to them. If they have any questions, they will contact you.

This allows the suppliers to have some information on you and enables them to set up credit terms for your store. You can use Restore Holdings as a credit reference. *Please contact the accounting department at Head Office for any questions regarding the reference check.*

Prior to Opening a New Location:

Head Office will contact the main suppliers to let them know a new store is opening. Head Office will then be sending you credit applications to complete. All new suppliers you will need to deal with or order from for the first time will require you to fill out a credit application before you receive an opening order from them.

Once completed and sent back to Head Office the credit applications will be faxed in with instructions of when to deliver for the store set-up before Opening Day.

All stores will need to have a Debit, Visa and M/C machine. Your store should have special rates for your interact machine, but are subject to change.

Head Office deals with only Global Payments as they provide us with our gift card system. Global Payments lets you do the M/C, Visa and Debit altogether as well as process our exclusive **Sangster's** custom gift card.

Dealing with the bank which is present in the mall/plaza helps out greatly.

- It is easier to get change for the store.
- Make deposits every night, this way no staff has to carry the nightly deposits too far.

Once you are registered with Revenue Canada your BN number, GST number, Payroll number, and corporate income tax number will be given to you.

For Example:

GST#
123456789 RT
Payroll#
123456789 RP
Corporate income tax#
123456789 RC

Your payroll always runs from (January-December) yearly. You can do your own payroll, ask your accountant or look in to a payroll service company like Ceridian. Their charges vary depending on the amount of employees and the frequency of payments (how many times you will be paying your employees per month). We suggest bi-monthly payments.

You have to register for a payroll program account **before the first remittance due date**. Your first remittance due date is the 15th day of the month following the month in which you began withholding deductions from your employee's pay.

Ex: you hire an employee on March 11 and you pay him bi-weekly. The first pay is on the 25th, therefore your first remittance due date would be April 15th.

If you didn't open an account before hiring employees, you still need to calculate deductions and remit them by the due date. If you fail to deduct or you remit late, you may be assessed a penalty. Visit on-line Canada Revenue Agency – cra-arc.gc.ca > **Businesses>Payroll>how payroll works>opening a payroll account**

Payroll services will also produce yearly T-4 slips for all your employees. Every year around February 1 you will gather all your T-4 slips and Revenue Canada will send you a T-4 summary. This has to be filled in by February 23 of every year, either by you or an accountant or your bookkeeper.

Who should prepare my financial statements?

According to your Franchise Agreement, **section 7.4 Franchisee's Accountants** - "Franchisee shall use the services of a firm of independent chartered accountants as Franchisor may approve (such approval not to be unreasonably withheld) in connection with the preparation of all financial statements required to be prepared by Franchisee pursuant to Section 7.3 of this agreement."

We recommend that you use the "accrual basis" where revenues and expenses that you decide are reported over several months.

When are they due at Head Office?

According to your Franchise Agreement, **section 7.3 Periodic Statements** - "Within ninety (90) days of the end of Franchisee's fiscal year, annual unaudited financial statements prepared on a review engagement basis in the manner prescribed by Franchisor detailing the performance of the Franchised Business, which statements shall include an income statement and balance sheet for the Franchised Business, provided that Franchisor shall have the right to require that such financial statements be audited."

Cash flow in any business is very important to control and manage. The following is a template for a spreadsheet that tracks all purchases in four major categories to help control cash flow month to month.

Whatever was spent last month will determine how much can be spent this month. This spreadsheet is to be done daily so that by the end of the month you know how much money is available to spend next month and stay on budget. Depending on your sales and how much you spent this month will depend on how much cash is available to spend in the next month. Through out the month, check where you are at with your purchases, if you are overspending compared to your sales, stop buying until the sales catch up. By filling out this spreadsheet you will be able to track your spending based on your sales.

Section 12: Franchisee Operations Allowable Purchases – Cash Flow

Procedure No. 12.09

Page 2 of 2

Weekly Sales
Goals
\$

Daily Sales Goals
\$

Allowable \$
Purchases: -

Restore Purchases excluding tax	Other Purchases Name	Amount excluding tax	Stationary & Supplies Supplier	Allowable Budget	Reno Maintenance Supplier	Allowable Budget
\$0.00	Preferred Nutrition	\$0.00		\$0.00		\$0.00
\$0.00	Puresource	\$0.00		\$0.00		\$0.00
\$0.00	Natural Factors	\$0.00		\$0.00		\$0.00
\$0.00	Flora	\$0.00		\$0.00		\$0.00
\$0.00	Christmas	\$0.00		\$0.00		\$0.00
\$0.00	Renew Life	\$0.00		\$0.00		\$0.00
\$0.00	Horizon	\$0.00		\$0.00		\$0.00
\$0.00		\$0.00		\$0.00		\$0.00
\$0.00		\$0.00		\$0.00		\$0.00
\$0.00	transfers from other store	\$0.00		\$0.00		\$0.00

Restore
Purchases: \$0.00
Other
Purchases: \$0.00
Total
Purchases: \$0.00

Total Stationary &
Supplies \$0.00

Net Sales This
Month: \$0.00 Total Reno/Maintenance \$0.00

Net Sales *
0.55: \$0.00 Total Purchases \$0.00

Under or Over
Purchased \$0.00 Total Expenses \$0.00

Move +/- to
Next Month \$0.00

Budgeted Expenses \$0.00

Month End
Inventory over/under \$0.00

FOR OFFICE
USE ONLY!!!!

201711_Retail

It is recommended that each location re-invest no less than 2% of gross sales each calendar quarter back into the business through advertising (Section 8.3 of the Franchise Agreement). Your first 6 months will be higher as you will have your GRAND OPENING ads in your budget. It is **Sangster's** policy that the budget is a minimum of \$2500.00 for the total cost of any one of **Sangster's** location's Grand Opening.

By staying with a set monthly budget, you can avoid over-spending or under-spending. When there is a major project such as a national flyer distribution, then the advertising budget can be trimmed in the slow months so that appropriate exposure can be achieved during the major event.

All Franchisees are encouraged to prepare and submit their yearly advertising budget to their Franchise Support Rep at Head Office every January. Help is available if you would like assistance in building your yearly budget. Contact your Franchise Support Rep anytime at Head Office.

Advertising budget templates and overall store budget templates are available through your head office Franchise Support Rep in excel format.

A royalty fee is collected monthly by the Franchisor from the Franchisee as a percentage of their gross sales. The royalty fee then is disbursed at the Franchisor's discretion to continue stability and growth within the franchise system and its company.

The royalty fee is paid in order to provide the following to the Franchisee:

- A team of professionals at head office providing solutions for issues and answers to questions focused on your business;
- Multiple on-site visits each year by our trained representatives;
- Contact suppliers or advertising reps when necessary on behalf of the franchisees;
- Develop new exclusive **Sangster's** brand of products to bring to marketplace;
- Maintain the Point of Sale (POS) system and troubleshoot/solve issues with and for our franchisees;
- Regularly call the retail stores to keep in contact and communicate;
- Maintenance and protection of **Sangster's** logo and other intellectual properties;
- Use of the **Sangster's** brand
- Use of the Franchisor's Trademarks
- Maintain and reinforce company identity;
- Assist our franchisees on the sales floor and help conduct in-store demos;
- Advice and help implementing procedures for loss prevention;
- Provide advice and coaching for staffing and human resources;
- Continuous attention paid to building brand awareness in existing markets;
- Provide support tools including manuals, forms and product courses that are updated regularly to help our franchisees' operations;
- Regular sales and product knowledge training for both franchisees and staff;
- National brand products and lines are continuously added to distribution division providing discounts;
- Sangster's Preferred Supplier List is negotiated and updated annually to provide best available volume discounts to franchisees;
- Regional seminars conducted for retail staff as well as the public;

- Guaranteeing Quality Assurance (QA) standards are met for all products;
- Guaranteeing NHPD regulations are met so that products being sold at store level are credible;
- Sharing existing training and/or marketing plans and custom building new ones with franchisees;
- Helpful assistance in keeping Franchisees' financials up to date;
- Sharing ideas from other stores that could benefit your store directly;
- Provide a profitability model that consistently works to provide profits to our franchisees and offer advice and coaching on improving profit margins
- Listen to what our franchisees have to say and implement ideas throughout the system to benefit everyone;
- Continuous POS training in order to become a more efficient owner;
- In-store merchandising assistance and advice for eye-catching results;
- Creative bulk discounting program available for discounting in-store product displays without sacrificing margin;
- Regular supply of franchise reports to help monitor store's success and coach if necessary;
- Financial, business and cash flow help, assistance or advice;
- Assistance in developing yearly advertising plans for each franchisee;
- Custom floor plan drawing and designing of stores;
- Clean & professionally presented product packaging & labelling;
- Use of power point presentations to re-train store staff;
- Annual Franchise Convention designed to help build upon your existing business;
- Sourcing and prepping secondary supplies such as clothing, pillboxes, mugs etc. for local store branding initiatives;
- Provide franchises with advice regarding their Accounts Receivable (A/R) and Accounts Payable (A/P);
- Answer product questions from consumers, franchisees and staff;

- Provide Franchisees with factual data on trending product or customer behaviours;
- Franchisees and staff have access to the company's manufacturing facility for guided tours;
- Franchisee advisory board helps provide 'front line' communication to the franchisor;
- Assistance in negotiating lease renewals;
- Assistance in renovation and store build outs when the time comes to 'refresh' the retail environment;
- Relocation assistance when needed;

Every year, head office holds a Franchise Success Convention at different locations within Canada and sometimes the United States. The event is usually a minimum of two days with annual Franchise Awards and knowledgeable speakers in the areas of sales, marketing, product knowledge and good business practices.

Our major suppliers are contacted for special discounts to all who attend the convention. The discounts that are offered by Restore Holdings and other national suppliers are there to cover the Franchisee's costs of attending the convention.

The annual Franchise Convention offers a great forum for Franchisees to share ideas and learn from each other as well as the speakers. If for some reason the Franchisee is not able to attend, a manager or full time staff member with over 1 year of service can be sent on behalf of the store, at the Franchisee's expense.

If neither the Franchisee nor a manager attends the annual seminar, the store will be invoiced \$1000.00 and will be in breach of the Franchise Agreement.

Franchise Agreement corresponding section:

6.1 (k) if required by Franchisor, Franchisee and such of Franchisee's manager and other personnel as Franchisor may reasonably require, shall attend and participate at any additional or supplemental training courses, conventions, conferences, seminars and franchisee meetings which may be conducted by or on behalf of Franchisor from time to time. Franchisor shall have the right to charge Franchisee a reasonable fee for such additional or supplemental training courses, conventions, conferences, seminars or franchise meetings and Franchisee shall also be responsible to pay all travel, accommodation, meal and other expenses.

When Opening a new store or renovating your existing one, call your local cable or telephone company to set up or change the lines. If you want additional lines in the store, then it will be arranged that the lines be put in where you want them.

At a minimum you will need:

1. Telephone
2. Debit / Fax machine
3. High Speed Internet

Getting lines put into your store does take time. Sometimes it takes weeks before anyone is able to come to do the job. They may give you a temporary phone number/fax number but they do not guarantee that these will be your numbers.

The phone, debit and internet lines are to be located up front at the cash counter and the fax line is to be located in either the back or front. If you wish to have an extra phone line hooked up in the back room, you will have to let the phone/cable company know in advance.

Check with your local yellow pages to put an ad in the phone book. When dates are confirmed, discuss the ad with the marketing department, as a template may be already built for the ad.

You will also need to have high speed internet set up in your location as well. This service is often provided by the local telephone company but you may want to look into other service providers in the area for the best rates.

Head Office does the drawings for your new or existing store location. Drawings are needed for the landlords as well as the contractor. All stores will have the most current design when they open. Renovations will update existing stores to the most current design. Any questions on the design or construction will be brought to Head Office, NOT the contractor.

Head Office finds the contractor and all changes are discussed with Head Office before anything is done.

All stores include the following (where possible):

- Glass shelves
- Cash counter
- Standard wooden bunks
- Cooler/Freezer (if applicable)
- Computer and applicable software
- At least 12' of **Sangster's Brand Vitamins**
- 8' Body care
- 8' Sports Nutrition
- 8' of **Sangster's Brand Herbs**
- Teas and Foods on bunks and wood shelves
- Flooring
- Interior signage
- Exterior signage
- Washroom
- Display bunk(s)
- Ceiling tiles
- Information Centre
- Consulting room and/or Office (if possible)

Please note: Store layout is not to be altered significantly without Head Office's prior written consent.

As a condition of both your Franchise and Lease agreements, before opening your store you need to have store insurance in place. The amount in most cases is determined as to the terms of the lease.

Our recommended Insurance Agent is:

Farrell Agencies
160-41 Broadway St. W.
Yorkton, SK
S3N 0L5
Attention: Marlene
Ph. # 1-306-783-4477
Fax. # 1-306-786-7577

You require insurance for:

Fire and water damage, product spilled on carpet/flooring, vandalism, break-ins, etc. Insurance will be a yearly fee and it is up to the franchisees to renew. We are not responsible for any loss of product or damage, etc. to your store. Most landlords do not take responsibility for flooding or a leaky roof.

Insurance may also be purchased from a broker of your choice.

A business license is most likely required for you to operate your business. It is applied for through the city and is to be renewed yearly. To apply for a Business License, you can go to the city hall in your city/town or visit their website. They will need to know what type of business you will operate and what you will be selling.

For example: Description: Retail business of health products.

Once you've received your license hang it up in your store.

A lease is a document between the landlord and the tenant in which they agree upon for rent and any other concessions. These agreements can be good for many years, depending on what all parties have agreed to.

The Franchisor may sign the lease as the main tenant on the head lease, and sublease to the Franchisee, the sub-tenant.

If the Franchisor is the head tenant at that time, any potential requests by the landlord such as increases in rent goes directly to the main tenant, for example the Franchisor. The Franchisor negotiates the renewal. There is always the possibility of a relocation site within the mall/strip plaza as the landlords have the right to make you move. Remember the landlord owns the building, not the Franchisor.

The Landlord may require you to pay percentage rent based on your monthly sales. This percentage will be a pre-determined amount as per individual lease agreement. You pay either the base rent or the percentage rent based on which one is higher.

Example: Your base rent is \$1500.00/month and your percentage rent is 6%.
If your sales are under \$25,000.00/month ($25,000 \times 6\% = 1500.00$) your rent will remain at the base rent amount of \$1500.00. Once your sales increase higher than \$25,000.00/month your rent will be 6% of your sales. If your sales were \$27,000.00 you would take this and multiply by 6% to figure out your rent for that particular month. $27,000 \times 6\% = \$1,620.00$.

Note:

Not all leases have percentage rent. The landlord controls the rent, additional/common area rents, and/or percentage rent.

The Franchisee is required to send the Franchisor, in writing and 12 months prior to the Franchise Agreement renewal date, a letter requesting to renew the Franchise Agreement for another term. The Franchisor will inform the Franchisee of the Franchisor's approval of renewal by a letter sent out to the Franchisee.

Approvals may be given if the Franchisee has abided by the original Franchise Agreement and is financially able to fulfill the new Franchise Agreement. The new agreement may be updated from the original agreement.

All renewals will be based on the current Franchise Agreement and terms.

The greatest asset of any franchise system is its franchise owners. As **Sangster's** continues to grow we are truly building the brand for the largest Health and Wellness concept in Canada.

Many times you may talk with people on a regular basis who might be interested in acquiring a new **Sangster's Health Centre** or **Sangster's Organic Market**. Perhaps they already work in the health industry or a related area; maybe they are a customer of yours or a relative. Or, their background may be more business oriented but they have a passion to be their own boss while being part of a growing legacy. Regardless of their motivation, your personal experiences, challenges and successes with **Sangster's** can help encourage others to want to learn more about our exciting business. Our Referral Program encourages you to refer a Franchisee to us. Share your experience of identifying potential Franchise candidates and be rewarded!

We would like to encourage and reward you, for your efforts in building the **Sangster's** system, by referring new Franchise candidates to head office. **We will give you \$500.00 for every new Franchise candidate you refer to us who opens a new Sangster's Franchise in Canada.**

The program Referral Form can be used each time there is a new potential franchise candidate whom you refer to **Sangster's** Head Office. This is a great new tool to reward your networking and referral efforts while further strengthening the **Sangster's** brand across the country.

Please direct your completed referral forms to the Business Development department who in turn will ensure timely contact and follow up with every lead and advise you of the outcome.

STEP 1

Fill out the Referral Form each time you refer a candidate to Head Office. You can fill it out online at www.sangsters.com/referral. Another option is to fax or mail the form to Head Office (Attn: Business Development)

STEP 2

Confirm with the Business Development department that the fax or email has been received.

STEP 3

Once the candidate becomes a licensed Franchisee with a newly opened store, a credit of \$500.00 will be applied to your Restore Holdings account along with a credit note mailed to your store.

Section 12: Franchisee Operations
Franchise Referral Program Form

Policy No. 12.21

Page 1 of 1

Store Location _____ Date submitted _____

Name of Current Franchise Owner Referring This Candidate _____

Name of New Franchise Candidate _____

New Franchise Territory or Market Area of Interest _____

Contact Information for Candidate:

Phone

(____) _____ Email _____

Best Time to Contact _____

How do you know this candidate? _____

Why do you think this candidate would be a great addition to the Sangster's Franchise family? _____

Is this candidate already familiar with our products & services by being a referral source, customer, family member, or other relationship? YES or NO (Please circle) If ,YES, please explain: _____

FOR HEAD OFFICE USE ONLY

Date Referral Was Received _____

Date Candidate Was Contacted by Head Office _____

Date New Franchise Agreement Signed _____

Referral Fee Paid to Franchise Owner _____

Business Development Authorization _____

Section 12: Business Development Re-Franchising an Existing Franchise Store

Policy No. 12.22

Page 1 of 3

The transfer of an existing store happens when an existing franchisee wants to sell their store and have found or are looking for a buyer (potential new franchisee). Once a buyer has been found, the store then is transferred to the new franchisee and a new franchise agreement has to be drawn up and signed.

The following is a checklist of what questions need to be answered and what needs to be done from the Business Development department at Head Office and yourself.

- ~ How much are you asking for the purchase price of the store?
- ~ What is your timeline? Is it realistic for you and Head Office?
- ~ How are you getting leads to look at your store?
- ~ Are your financials in order?
- ~ Have you spoken to your accountant?
- ~ What is left on the lease?
- ~ Who is the main tenant on the lease, the Franchisor or the Franchisee?
- ~ Has the lease been checked on how the approval process with the landlord is to be followed?
- ~ Do you have the Head Office Checklist for a Franchised Store Transfer?
- ~ Are you going to use a lawyer to assist in the sale of the store?
- ~ Do you have a Confidentiality Agreement template to use when your financials are requested?
- ~ Does the realtor, if using one, have our steps of what is required in our application process? i.e. condition of sale requires approval by both Franchisor and landlord, this process can take up to 3 months.
- ~ What is the fee the landlord will charge for change in tenant or sub-tenant? Has this been communicated to the buyer?
- ~ Has the potential new franchisee gone through our application process on sangstersfranchise.com?
- ~ Has Business Development conducted at least 3 interviews with the potential new franchisee?
- ~ Will this be an **Asset Only Purchase** or a **Shareholder Purchase**? (circle which one)
- ~ Possession date must be approved by Franchisor before Offer to Purchase is accepted. If not, the Offer to Purchase can be rejected or delayed due to training dates not scheduled.
- ~ All new franchisees must agree to have up to 2 weeks of training at head office and needs to be a condition of offer to purchase
- ~ The hold back funds of \$5000.00 for year-end recoveries and/or any unpaid rents due with the Landlord needs to be part of the offer to purchase and bill of sale.
- ~ Approval by landlord must be part of the condition of sale
- ~ Approval by Franchisor must be part of the condition of sale
- ~ Deposit is required to ensure the seriousness of the transaction and not wasting head offices' time nor existing Franchisee's time
- ~ Are Training dates set and agreed upon by Head Office and the new potential franchisee?
- ~ New Franchise Agreement and other Franchise Documents must be signed by the potential buyer before training can take place.
- ~ Transfer fee needs to be paid to head office before training can take place

- ~ Transfer fee paid by the existing Franchisee as part of their Franchise Agreement
- ~ Has the fee for new application with the landlord been paid by the new Franchisee?
- ~ Make sure you the existing Franchisee does not cancel any services that may disrupt the flow of the sale or the flow of everyday business in the store – i.e. phone, internet, accounts with suppliers.
- ~ Will the staff be willing to stay on?
- ~ Are there any outstanding payables with any suppliers?
- ~ Secure the Head Office Training with a Training Confirmation email
- ~ The day before possession – both new and old franchisees are to **do** a complete physical inventory count (year-end). This will be agreed upon by both parties and part of the bill of sale final amount of inventory.

Section 12: Business Development Re-Franchising an Existing Franchise Store

Policy No. 12.22

Page 3 of 3

Franchisee Task list for Selling a Store

Location _____ Due _____

- ~ Cancel the Debit Machine (with Global Payments Account)
- ~ VISA
- ~ MASTERCARD
- ~ DEBIT
- ☐ Transfer the telephone and fax numbers over.
(two separate lines) Ph: _____ Fax: _____
- ☐ Transfer the Internet line (cable)
- ☐ **GST APPLICATION** - online for forms available (if required)
- ☐ **PST APPLICATION** - online for forms available (if required)
- ☐ Leave the Cheque Endorsement Stamp
- ☐ Leave the Address Stamp
- ☐ Prepare a \$200 Cash Float to be on-site for possession day
- ☐ Alarm System – change codes and transfer account (if required)
- ☐ Cancel your Business License as of the possession date
- ☐ Notify &/or Cancel your Insurance Policy as of the possession date
- ☐ Notify &/or Cancel Worker's Comp. as of possession date
- ~ Prepare ROE's (Record of Employment) for employees

Sell or Leave Operating Supplies for the Store

- | | |
|---|--|
| <input type="checkbox"/> Stapler & Staples | <input type="checkbox"/> 6' Ladder (not a step stool) |
| <input type="checkbox"/> Scissors | <input type="checkbox"/> USB's for POS backups |
| <input type="checkbox"/> Calculator with Tape | <input type="checkbox"/> Packing tape and dispenser |
| <input type="checkbox"/> Telephone Book | <input type="checkbox"/> Filing Cabinet For Invoices &
Catalogues |
| <input type="checkbox"/> Entered Stamp (for entering inventory) | <input type="checkbox"/> Stamp pad |
| <input type="checkbox"/> Fax / Photocopier Machine | <input type="checkbox"/> Mop and Pail |
| <input type="checkbox"/> Shelves (for extra stock in the back room) | <input type="checkbox"/> Garbage cans (2) |
| <input type="checkbox"/> Cash security box with lock | <input type="checkbox"/> Utility knife and blades |

