

AGREEMENT FOR THE MANAGEMENT & OPERATIONS
OF THE SOCIAL ENTERPRISE

This Agreement is made on 1st May 2011 between:

Agir pour les Femmes en Situation Precaire - Cambodia
#62CEo, Street #598, Boeung Kak 2, Tuol Kork, Phnom Penh, Cambodia
Post Office Box:2089, Phnom Penh-3, Cambodia
(hereinafter referred to as "AFESIP")

and

Lotus Culture Ltd.
108 Cairnhill Road
Singapore 229698
UEN 2010/15087C
(hereinafter referred to as "LC")

Whereas:

- (i) In the Letter of Agreement (Appendix1) signed on 29th November 2010, LC stated its wish to support the development of a social enterprise, amongst other projects on education and mental healthcare and provided US\$2500/- to support the development of the social enterprise.
- (ii) Discussions in March 2011 between AFESIP and LC concluded that the social enterprise be named Kumnit Thmey (hereinafter referred to as "KT") shall be a division of AFESIP and the Executive Board of AFESIP shall delegate all powers to a Management Committee to independently manage and operate KT.
- (iii) The premises of KT shall be in Phnom Penh at Flat No. 16, Street 9, Rong Chak Village, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh City, Cambodia.
- (iv) AFESIP and LC (collectively called "the Parties") wish to record herein the articles that shall govern the social enterprise with the commencement of KT and the completion of the development of the social enterprise phase in the Letter of Agreement signed on 29th November 2010.

It is hereby agreed as follows:

1. Objective of KT

The objective of KT is to provide employment opportunities on a sustained basis for girls with sewing skills.

KT shall start as a small business that sews products using fabrics and weave paper bead products using recycled paper. Survivors of human trafficking and sex slavery under AFESIP's care will be given priority to fill vacant positions. KT employees will be paid a competitive salary and fair terms and conditions of employment. There will be skills development and a caring and supportive environment to develop and meet production challenges.

The production is based on orders specified by customers in higher value markets in ASEAN countries on a business to business (B2B) platform. Production of KT specified products during lulls in the order book shall be retailed via various retail channels or sold to corporations.

2. Supreme Authority & General Matters

The supreme authority of KT is vested in a General Meeting of the Executive Board of AFESIP and the Board of Directors of LC presided by the Chairperson of the AFESIP Executive Board, alternating annually with the Chairperson of the LC Board.

At least two members each from the AFESIP Executive Board and LC Board respectively shall form the quorum of a General Meeting. The AFESIP Executive Board and the LC Board shall hold only one vote each.

An Annual General Meeting will be held by March every year to consider the:

- KT financial accounts of the previous calendar year
- report of the Management Committee
- forecast plans, revenue and expenditure
- the social impact performance and the continued viability of the KT business
- appointment or re-appointment of members of the Management Committee

At other times, an Extraordinary General Meeting must be called by the Chairperson of the General Meeting within one month on the written request of either AFESIP or LC.

All resolutions passed and decisions made shall be by majority of the votes cast. The Chairperson of the General Meeting may exercise a casting vote in the event of an equality of votes.

3. KT Management Committee & KT Manager/Supervisor

The management and administration of KT shall be entrusted to a Management Committee of three members as follows:

- President
- 1st Vice President
- 2nd Vice President

The President shall be appointed by LC. The 1st Vice President shall be appointed by AFESIP. The 2nd Vice President shall be an independent person to be jointly appointed by AFESIP and LC. The 1st Vice President must be resident in Phnom Penh. The 2nd Vice President should preferably be resident in Phnom Penh also.

The Management Committee does not receive remuneration. The Management Committee works closely with the KT Manager/Supervisor, providing support and coaching, sets direction and reviews the progress and results.



The KT Manager/Supervisor and all other employees in KT are employees of AFESIP but under separate employment terms and conditions as authorised by the Management Committee of KT.

4. Financial Accounts & Bank Account

KT shall have its own set of financial statements that is prepared on an accrual basis in accordance with financial reporting standards to give a true and fair view of the state of affairs of KT.

The KT Manager/Supervisor shall prepare monthly income, balance sheet and bank reconciliation statements to be circulated monthly to all in the Management Committee.

KT shall have its own bank account. Two signatories are required to operate the bank account. The first signatory is the KT Manager/Supervisor and the second signatory is the 1st Vice President or the 2nd Vice President.

Approval of sales, purchase, other agreements, payments and all other authorisations for effective day-to-day operations shall be delegated by the Management Committee.

5. Powers of the Management Committee

The Management Committee shall develop and approve

- the KT business plan.
- KT employment terms and conditions, remuneration package and annual increments/bonus payments.
- recruitment and termination of employees.
- actions to be taken on disciplinary cases.
- delegation of authorities.
- all matters not specifically delegated to the KT Manager/Supervisor or a specific Management Committee member.
- production quality and productivity standards.
- all other policies and procedures for the effective operations and management of KT.

6. Source of Funds

Any excess funds from the initial US\$2500/- fund for the development costs shall be transferred by AFESIP to the KT bank account by 7th June 2011.

The subsequent donation of US\$2700/- from LC on 25th April 2011 for the rental deposit and monthly rental of the KT premises shall be fully accounted under KT and any excess funds, not yet paid to the landlord, shall be transferred by AFESIP to the KT bank account by 7th June 2011.

LC shall provide an additional donation of US\$7300/- for the initial set-up costs and operating expenses when the KT bank account is opened. Another donation of



US\$10,000/- shall be provided once the members of the Management Committee have been appointed by a General Meeting and the business plan has been approved.

Any financial shortfalls not anticipated in the business plan may be met by further loans or donations to be raised by LC provided that the social impact performance is met and the business potential is still viable.

7. Commitment to Employees, Customers & Donors

This agreement has been signed by the Parties in the spirit of trust in each other to achieve the objectives of KT as outlined in paragraph 1. Each party agrees with the other to be fair and faithful in its dealings with each other and with others, to use its best endeavours and exercise reasonableness to resolve any issues that may arise, in the full spirit of cooperation in meeting the commitment to its employees, customers and donors who contributed through LC.

8. Compliance with the Cambodian Law & Independence of KT

AFESIP shall be responsible for full compliance with the laws and regulations in Cambodia that governs the operations of KT as a division of AFESIP.

AFESIP shall ensure that KT shall be independent of all other agreements or similar arrangements that AFESIP has (current or future) with other parties and contributors to AFESIP.

9. No Partnership or Agency

Nothing in this agreement shall constitute or be deemed to constitute a partnership or agency between the parties and no party shall have the authority to bind or commit any other party in any way whatsoever except as provided in this agreement.

10. Entirety of Agreement

This agreement represents the entire agreement between the Parties and supersedes any prior agreement (written or oral) between the Parties regarding the social enterprise. No modification of this agreement shall be in force or effect unless in writing and signed by the Parties hereto. Any matter not provided for herein shall be decided upon further consultation and any agreement between the Parties resulting from such consultation must be in writing and signed by the Parties hereto accordingly.

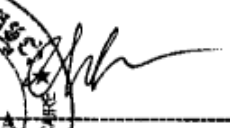

11. Tenure & Termination

This Agreement shall remain in force unless terminated by mutual written agreement of the Parties.

Any party who wishes to terminate this Agreement shall provide the other party with three (3) months' written notice of its intention to do so.



Upon termination of this Agreement or when a decision is taken by the General Meeting for the closure of KT due to non-viability of the business, all the obligations of LC under this Agreement shall cease, and neither party shall have any other rights and obligations against each other whatsoever. All equipment, inventory, rental deposit, bank balance and all other assets less any liabilities (e.g. severance payment to employees) shall be retained by AFESIP.

Signed by


Chhoeurth SA
Director & CEO
សម្រាប់ ក្រុមហ៊ុន ប្រាក់បញ្ញើ
Precalre - Cambodia


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