



DIGICELL 23 CC 2007/072855/23 (Trading as Digicell)
94 North rd. Clayville East, Gauteng. VAT: 4710244312
Tel (011) 316 3264 Cel 076 860 6203 Fax 0866 559 599

Digit Vehicle Tracking Business Disclosure Document

This Disclosure Document should assist you in assessing this Digit Agency & business opportunity. While it includes some information about your contract (Digit Agency agreement) do not rely on it alone to understand your contract; read your entire contract carefully.

Buying a Digit Agency is a serious undertaking; take your time to decide. It is recommended that you have the contract explained to you by an attorney and you should seek accounting and financial advice on the Digit Agency proposition. For the calendar year 2017, Digicell 23 CC t/a Digit vehicle tracking is a Member in good standing of the Digit Franchise Association of Southern Africa, if required, further information on this Membership can be obtained from:

The Executive Director
Franchise Association of Southern Africa
Postnet Suite # 256
Private Bag X4
Bedfordview
2008

1. HQ Information

- 1.1 Digicell 23 CC Reg: 2007/072855/23 is the founder, designer, manufacturer & trademark owner of the Digit vehicle tracking brand and its products.
- 1.2 The registered legal address for Digicell 23 CC is 94 North Rd, Clayville East, Olifantsfontein, Gauteng, South Africa.
- 1.3 Official contact details for Digicell 23 CC is:

Gauteng (HQ1): 011 316 3264
Lee Bester: 076 860 6203
lee@digicell.co.za

Kwa-Zulu Natal (HQ2) : 032 552 1238
Rordon Cowley: 083 442 2733
rordon@digicell.co.za
- 1.4 Digicell 23 CC states that is very proud to be an accredited member of FASA and believes in ethical Digit Agency and business practices.
- 1.5 Details of Executive Director and Executive Managers of Digicell 23 CC

Rordon Cowley – Managing Director & CEO of Digicell 23 CC

ID: 7010275173088

Cell: 083 442 2733

email: rordon@digicell.co.za

Town of Residence: Blythedale Beach, Kwa-Dukuza, KwaZulu Natal, South Africa.

20 years Business and Electronics Manufacturing Experience

20 Years experience in the Vehicle Tracking industry

Lee Bester – Distribution Manager

ID: 8701125147087

Cell: +27 76 860 6203

Email: lee@digicell.co.za

Town of residence: Centurion, Pretoria, Gauteng, South Africa

11 Years Business and Sales Experience

8 Years vehicle tracking experience

Elaine Benade: Administrative & Accounts Manager

Cell: 082 597 6616

accounts@digicell.co.za

Town of residence: Blythedale Beach, Kwa-Dukuza, KwaZulu Natal, South Africa

2. Biography of founder and CEO of Digicell 23 CC

Mr Rordon Cowley was born in Johannesburg South Africa and completed his junior school education on the East Rand whilst living on a small holding in Benoni. He completed his secondary schooling Matric in 1988 at Queen's College Boys High in Queenstown in the Eastern Cape, with subjects including Maths and Science. Tertiary education was completed at Technikon with NTC5 Electronics in 1991. Then he was drafted into the Military Police for National service which was conscripted at the time, where he became the driver and CPO for the chief of the defence force Gen. Liebenberg.

His first formal employment was in Pretoria where he worked in the electronic component industry before emigrating to Switzerland.

In Switzerland he worked in the town of Marin near Neuchâtel for an American company, developing vehicle tracking solutions which were primarily marketed to city taxi customers. From Europe he relocated to Essex in the U.K. where he was employed at an electronic contract manufacturer as SMD and ICT technician.

He returned to South Africa and found employment in Midrand at an aviation equipment company, where he was employed as a technician repairing GPS navigation systems as well as aircraft radios and transponders. With a keen interest and the diverse experience gained it seemed natural that he would always lean towards employment in electronic production of location or tracking equipment, so in 2006 he made the decision to leave formal employment to start Digicell.

The business entered an already well established vehicle tracking market, but Rordon felt there was too little emphasis being placed on vehicle telematics for fleet management. The Digit product was developed with the objective of addressing the need to give fleet owners their own platform to manage vehicles live, instead of relying on historical manual information, obtained from log-sheets.

Rordon has teamed up with the right people in the industry and currently heads up the business which has grown to over 80 independently owned branches in South Africa and abroad.

His desire to develop the business as well as his personal life drove him to complete his Private Helicopter Pilots License in 2014, and he still flies when the opportunity allows.

The drive to develop goes beyond personal, and the Digit business philosophy is to remain a leader in vehicle solutions to reduce loss or mitigate risk. Since 2006, Digicell has expanded capabilities to include the renowned DFuel system which is a comprehensive fuel measuring solution.

The company also supplies a range of Mobile DVR systems to allow video recording and live streaming of vehicles, drivers and occupants.

Backed by the strong will of the Digit Team, Rordon plans to push the business to new levels, a move which seems to be welcomed by entrepreneurs the world over, who are keen to become part of this success story.

2.1 Digicell 23 CC has since registration in 2007 built the business with a distribution model, growing from only one dealer to over 80 dealers in 2017. It would be fair to say that it has 10 years' experience in offering sustainable Digit Agency business models and opportunities.

2.2 The combined business & vehicle tracking experience of Director, managers, development teams and over 80 Digit agents is exceptionally valuable.

2.3 Total vehicle tracking experience of director and team with 20+ years to some Digit agency members with as many years, the combined experience is well over 200 years.

It has grown from an initial installed base of 3 units to over 60 000 units manufactured to date. Digit realizes that investing in a new product has its challenges. Digit has the assurance that with its proven exceptional growth and unique business model, a proven, successful structure will be leveraged to your advantage.

Digicell manufactures much of the Digit suite of vehicle tracking and fleet management solutions and components, including the "DFUEL" fuel management and monitoring system.

3. Values & Vision:

Digicell is committed to the highest ethical business standards, and demands the same from its dealers. Digicell and its affiliated corporate entities are committed to "Total Customer Satisfaction" through Quality in Product Design, Manufacture, Support and Service. Digicell offers a world class product at competitive prices. Digicell is committed to local business, and is exceptionally proud of our support of local industry, producing a large portion of its product in South Africa. Our software is 100% local and we make use of local service providers for servers and data.

In order to live up to its quality policy and objectives, Digicell shall supply products efficiently, economically and on time with standards that consistently meet or exceed the customer's

requirements. This is accomplished through a continuous improvement programme, which aims to improve daily operations and systems while striving to supply products to its customers with zero defects.

4. **Business Model:**

The Digit business model is unique to the vehicle tracking, stolen vehicle recovery (SVR) and Fleet Management Systems (FMS) industries.

This unique business model distributes the Digit products through a dealer network system. The Dealership will procure the product from Digicell (manufacturer, developer & Trade mark owner) for resell and installation. These Dealerships are all independently owned.

This is unique to the vehicle tracking, SVR and FMS industry.

This model allowed Digicell to create over 80+ small to medium businesses within only an 11 year period that are successfully selling and distributing the Digit suite of products. Digicell prides itself on its commitment and responsibility towards dealerships and takes their individual success and well-being seriously.

5. **Support Structures:**

Multi-tiered customer support structures are in place; namely - Digicell to Dealership support, and more importantly - dealer to the end user support. The dealership is responsible for first line support to the customer. It is the Dealership's responsibility to support customers as and when required. This support structure may extend outside of business hours.

Support call volumes are usually inversely proportional to the end users product knowledge, thus quality time spent on installation and customer training does dramatically reduce support call volumes. High volumes of support calls may be experienced during the installation phase as customers are familiarizing themselves with the system. It is required to conduct frequent follow-up calls or visits to the customer to ensure that the customer requirements are met.

The support structure is a crucial element to the business model.

“Honesty and professional business ethics are of the utmost importance and are considered the most important qualities in the Digicell family” – Rordon Cowley – MD & Founder of Digit vehicle tracking

6. The Digit Agency Agreement (Summary):

6.1 Particulars of any restrictions (territorial restrictions) to be imposed on the prospective Digit Agency;

Territory: In RSA and outside the borders of RSA

There are no restrictions to any areas to do business in, all areas are open for trade countrywide and abroad.

The Digit Agency will use its best efforts to promote, market, distribute and sell the Products within the Territory so as to maximise the sale of the Products within the Territory during the Term.

6.2 The nature and extent of the HQ's involvement or approval in the process of site selection;

The decision on a suitable site where to trade from is 100% the decision of the Digit Agent if the Digit Agency decides to have premises or trade as a mobile unit. Guidance is offered by the HQ in this case.

- 6.3 A summary of the terms and conditions relating to termination, renewal, goodwill and assignment of the Digit Agency;

7. Termination:

- 7.1 This Agreement may be terminated by either Party if the other Party commits a material breach. The procedure for termination is set out in this Clause.

- 7.2 On termination the Supplier must either:

(a) Deliver sufficient quantities of Products Ordered by the Digit Agency so as to allow the Digit Agency to satisfy all of its outstanding contractual obligations to its Consumers, or
(b) at its sole discretion take over responsibility for meeting all those outstanding orders, in which event the Supplier indemnifies the Digit Agency against any liability to those Consumers in respect to those outstanding Orders.

- 7.3 It will be a breach of an essential term by the Digit Agency and the Supplier will be entitled to terminate this Digit Agency by giving 14 days' prior Notice to that effect to the Digit Agency if :

(a) The Digit Agency fails to pay any amount owing to the Supplier within 14 days of the date of a written request by the Supplier to make payment;
(b) The Digit Agency becomes insolvent;
(c) The Digit Agency commits any breach of this Agreement and fails to remedy that breach within 14 days of the date of a written request from the Supplier to do so;
(d) The Digit Agency ceases to carry on business in the Territory;
(e) The Digit Agency ceases to use commercially reasonable efforts to market, distribute and sell the products in the Territory;
(f) The Digit Agency fails to follow any reasonable and lawful direction given by the Supplier for the purposes of safe guarding the supplier's Intellectual Property or confidential Information;
(g) The Digit Agency fails to meet the target (if any specified in Schedule A) for any Year;
(h) The Digit Agency breaches any terms of this Agreement that is expressed to be an essential term.

- 7.4 It will be a breach of an essential term by the Supplier and the Digit Agency will be entitled to terminate this Digit agency agreement by giving 14 days prior Notice to that effect to the Supplier if:

(a) The Supplier fails to deliver any of the Products to the Digit Agency within 30 days of the time specified in the Order for Delivery and the Digit Agency has requested in writing such Delivery and that Delivery has not been made within that 30 days or within 14 days of such request, whichever is the longer, unless the product has been discontinued. (In which case an alternative will be suggested)
(b) The Supplier fails to make any payment due by it to the Digit Agency within 14 days of being requested by the Digit Agency in writing to make such payment;

8. Renewal:

The standard term is 3 years. This is auto renewable for as long as both parties are acting within their obligations and responsibilities.

There is no renewal fee or franchise fee to pay upon renewal

9. Assignment of the HQ:

10.1 Summary of the main obligations of the HQ:

- To supply adequate training
- To supply adequate support
- To supply product to sell
- To supply server services and device hosting

10.2 The Digit Agency agreement and its implementation is subject to all applicable laws from time to time in force in the Republic of South Africa and any other country or territory in which the Digit Agency may carry on business.

10. Financial Obligations:

Digit vehicle tracking Digit Agency Financial Elements 2017

Application Fee: R5700.00 Vat Inclusive (VAT is R700.00 Application Fee is R5000.00)

The application fee is required to register a genuine desire to acquire a Digit agency and to cover the costs of interviews and assessments, etc. This amount is NON refundable in the event of the potential applicant withdrawing during the application process or if the application is rejected by Digicell for any reason.

**Dealership Fee: R513.000.00 Including VAT
(VAT is R63000.00 Fee is R450 000.00)**

This fee includes:

- The right to use and operate under the Digit name and concept
- Access to use intellectual property and information
- Full owner and staff training and training content
- Initial legal costs incurred in conclusion of the Distribution Agreement;
- Full Digit vehicle tracking branding for two medium sized vehicles
- Use of a Digit domain website and email addresses. (Annual hosting for agents account)
- 1x Laptop (i5 or similar) Fully loaded with a start-up Digit "MasterFile"
- 2x Sets of top-class business cards (500 Cards each)
- 1x Marketing Kit, (2x Flags, 1x Stand up Banner 1x Revolving Banner or similar)
- Marketing apparel, Pens, Brochures, 2xT-Shirts, 2x Golf Shirts & 2x Pit Shirts
- Standard Installation Tool Kit (Worth over R4800.00)
- R30 000.00 credit for stock (Can generate over R100 000)

50% of the upfront fee is payable as a deposit on acceptance of the application and is non-refundable after signature of the Digit Agency Agreement.

Any deposits paid by a prospective Digit Agent will be deposited into a separate bank account and dealt with as provided for in the code.

Establishment Costs:

- Please note that certain costs that may be specific to the proposed site/location are not included. Examples of these costs are travelling and accommodation of the applicant and staff during the relevant training period (bearing in mind that the training may be some distance from the proposed location of operation), subsistence and other.

- *These estimates are set for 6 months but are however subject to change without notice due to the volatile US\$ / ZAR rate and trends of the fleet management market.*

- Should an applicant request a feasibility study, this will be quoted for accordingly.

Make provision for working capital (to be used for stock /travelling/salaries)
of at least R60 000.00 (To be calculated by applicant according to needs)

- A simple table will follow that will assist you to calculate the viability of your plans
- More detail of the financial aspect will be available once the Non-Disclosure document has been signed
- Below an example of sales that can be achieved based on proven achievable sales targets

Number of unit sales per month	14	21	33	45	60
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Gross profit after 1 year	R 377 076	R 565 614	R 888 822	R 1 212 030	R 1 616 040
Turn over after 1 years of trading	R 733 068	R 1 112 202	R 1 747 746	R 2 383 290	R 3 177 720
Gross profit after two years	R 1 086 376	R 1 629 564	2 560 744	R 3 491 924	R 4 655 898
Turn over after two years of trading	R 1 960 560	R 2 940 840	R 4 621 320	R 6 301 800	R 8 402 400
Gross profit after three years	R 1 816 709	R 2 530 500	R 3 976 500	R 5 656 540	R 7 230 000
Turn over after three years of trading	R 2 932 344	R 4 657 800	R 7 319 400	R 9 981 000	R 13 308 000
Average monthly Gross Profit for year 3	R 68 603	R 102 905	R 161 700	R 220 510	R 294 013
Recurring turn over for month 36	R 75 216	R 135 324	R 212 652	R 289 980	R 386 640

You will need to decide what quantity of sales you can achieve depending on your number of staff, area, resources and skill

Of course the most important factor when calculating the viability of your business plan will be the ability to maintain your operating expenses whilst still making sufficient profit

From the chart above it is easy to see at a glance the expected monthly average profit after three years of operation at a certain sales level

NB! This is AVERAGE gross profit. It will start out lower in year one and be much higher than the above figures in year three

If we concentrate on the 33 units* per month sales:

We can see an average gross profit of R160 000 per month

Let's assume a salary bill of R55 000 per month**

Vehicle expenses of R20 000 per month***

Rent, telephone and other expenses R10 000 per month

Marketing and advertising R5000 per month

This results in a net profit of R70 000 per month

33 units per month = R20k net

This should be reasonable to achieve with a staff of two, 38 hour week

** Director R28k, Sales R18k, Installer R8k

Based on a: (Multi role for admin and accounts expected)

*** Vehicle 1 R250k , Vehicle 2 R100k, Insurance R3500, Fuel R7000

- * Once off Digit Agency fee includes some stock which will actually increase profitability
- These projections in no way represent any form of guarantee or undertaking by the HQ to the Digit Agency or any third party that any figures set out therein will be achieved

There is no funding offered by the HQ, the applicant is to make it clear from application status to the HQ what its financial position is and how it will meet its financial obligations.

The HQ will require at least 50% of the funds in unencumbered cash before any borrowed funds.

In the event that the applicant requires funding, he/she should communicate this to the HQ that will be happy to refer him/her to potential financial organisations that may be of assistance.

12.1 The dates, or intervals, at which the amounts fall due:

The R5700 including VAT and is due once the Letter of Interest is completed and submitted.

50% of the once off Digit Agency Fee is due within seven days of application approval.

The 50% balance is due 30 days after the first payment is made.

Set up & Training will only commence once full payment is received.

Frequently asked questions:

12.2 Is any fee payable in respect of management services provided by the HQ Member?

No, there is no management fee payable to Digicell (Head office)

12.3 Is any contribution payable to a fund for the purpose of advertising and Marketing?

There is no marketing fee payable to Digicell (Head Office)

Digicell will however be happy to contribute up to 50% of the costs towards any approved marketing efforts the Digit Agency wishes to initiate.

12.4 What types of advertising and marketing services can be expected?

Digicell is continuously involved in various marketing efforts such as:

- a) Print media advertising (Newspaper & Magazine)
- b) Bill boards next to highways & shopping centres
- c) Social media marketing efforts (Facebook+ Instagram)
- d) Sports sponsorships
- e) Television & radio advertising
- f) Branded vehicles
- g) Trade shows and exhibitions
- h) Promotional events

Leads generated by HQ are distributed countrywide to the dealer that is typically closest to the enquiry received or the agent with the matched industry experience.

12.5 Whether the Digit Agent is entitled to participate in the decision making on advertising and marketing matters.

Digit Agency are encouraged to bring great advertising opportunities to HQ's attention. As previously mentioned, HQ will typically offer to pay up to 50% of the advertising/marketing costs of all approved marketing initiatives. (Approved on a case by case basis)

How would I estimate the value of my Digit agency?

The average value of one installed Digit tracking device is R7000.00 over 36 months.

Digit Agency License Cost at the time Plus X number of units Multiplied by individual value of R7000.00 + Value of Assets will give one an estimated value of the business.

So at today's price you would be charged R450 000 plus number of units x R7000.00

A Digit Agency with 500 units would thus be worth $500 \times R7000 + R450\,000 = R3\,900\,000$ (Plus asset value)

Above figures assuming the branch has no liabilities.

However this figure could change considerably if the dealer has units on Rental, then value can increase by as much as 200%

For example should a dealer sign up 20 units on a 60 month rental starting at R200 but with 10% escalation.

Total turn-over per unit can be over R14 000.

If the distributor had an average of 50% of the systems on the same rental then the value is R11500 per device.

So $500 \times R11500 + R450\,000 = R6.2$ million

Ron Gibbs & Associates

Registered Accounting Officers

In alliance with Gibbs, Raath & Associates (Pty) Ltd

Building 1 & 2, Panaroma Office Park, 971 Kudu Street, Allensnek, Roodepoort PC) L30x 90161, Bertsham, 2013
Tel: 011 858 3600 Mobile: 074 556 7814

DIGICELL 23 CC (Reg No 2007/072855/23)

We are the appointed Accounting Officers for Digicell 23 CC ("The HQ Member") and have therefore been made privy to the company's statutory and financial records. Accordingly, we are able to certify the following:

1. The business is a going concern; and
2. Based on the information provided to us and to the best of our knowledge, the assets of the HQ Member's business exceed its liabilities.
3. To the best of our knowledge the HQ Member is able to meet its current and contingent liabilities.
4. The HQ Member is capable of meeting all of its financial commitments in the ordinary course of business as and when they fall due; and
5. the HQ Member's annual financial statements for the most recently expired financial year have been drawn up.
6. in accordance with the International Financial Reporting Standard (IFRS) for Small and Medium Enterprises; and
7. except to the extent stated therein, on the basis of accounting policies consistent with prior years; and
8. in accordance with the provisions of the Companies Act No 71 of 2008, as amended, and the Close Corporations Act No 69 of 1984, and all other applicable laws, and
9. fairly reflect the financial position, affairs, operations and results of the HQ Member as at that date and for the period to which they relate.

10. **Report is based on the below figures**

Turnover

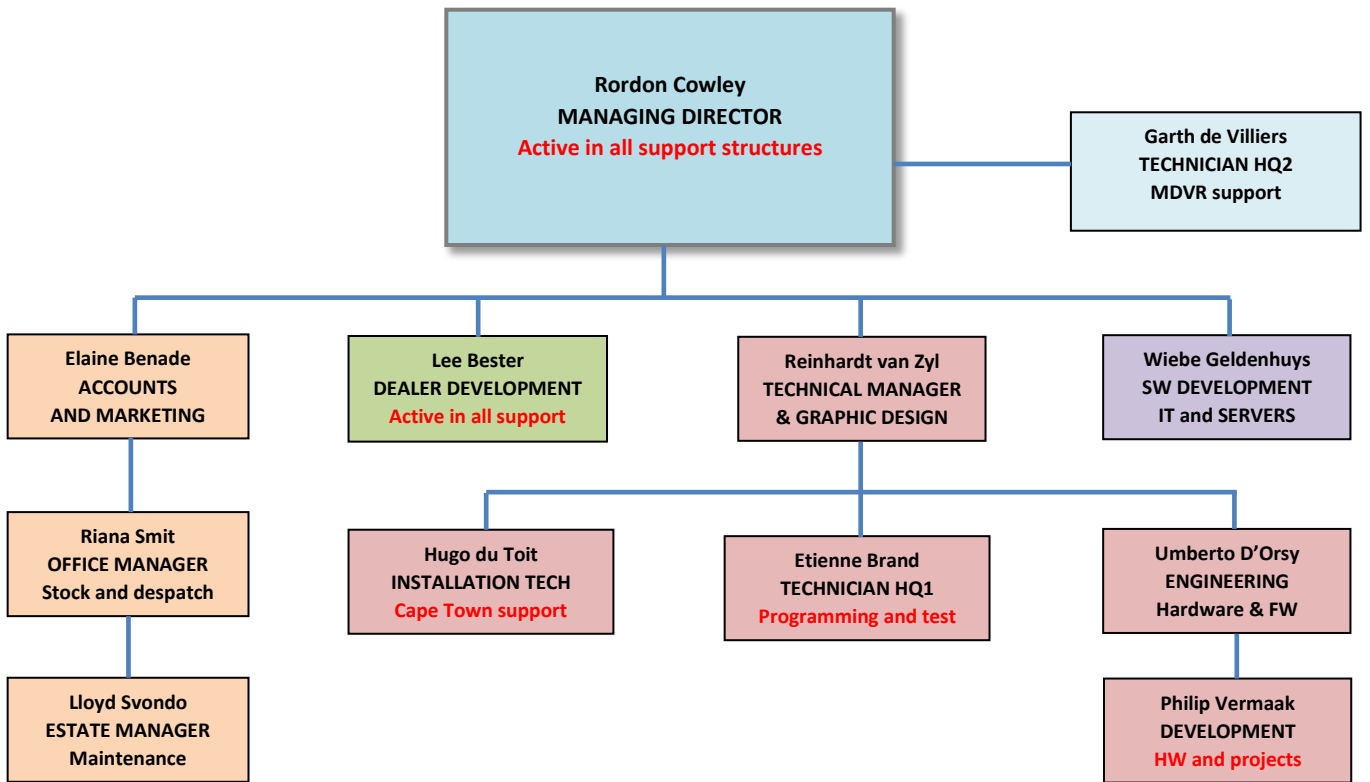
R14 126 805 (2017) R11 261 505 (2016) **Growth 25,4%**

Profitability

R1 282 551 (2017) R1 160 093 (2016) **Growth 10,5%**

11. Group Turnover is estimated at over R50 000 000.00 based on average mark up and resale of products.

.3 Organogram



**Digit vehicle tracking aims to abide by the following Code:
FRANCHISES ASSOCIATION OF SOUTH AFRICA**

CODE OF ETHICS AND BUSINESS PRACTICES

1. PREAMBLE

- 1.1 FASA is an independent body constituted and supported by its Members.
- 1.2 FASA's aims are to ensure that its Members practice the highest standard of ethics and fair business practices in franchising and to develop and expand the business environment for franchising in South Africa.
- 1.3 FASA's criteria for Membership conform to local and international practices and are acknowledged by the public as such.
- 1.4 FASA is a full Member of the World Franchise Council.
- 1.5 This Code reflects the collective beliefs of all FASA Members with respect to the manner in which Franchisee relationships must be established, structured and implemented.
- 1.6 The purpose of this Code is to ensure a system of self-regulation and compliance with applicable laws in the public interest and that of the Members of FASA.

2. INTERPRETATION AND ADMINISTRATION

- 2.1 The interpretation and administration of this Code vests in the Exco and the Council.
- 2.2 Unless the context indicates otherwise, this Code shall apply to and bind each and every Member and each and every Member shall be bound by this Code.
- 2.3 This Code is subject to FASA's Memorandum of Incorporation and all applicable laws.
- 2.4 The headings to the paragraphs of this Code are inserted for reference purposes only and shall not affect the interpretation of any of the provisions to which they relate.

3. DEFINITIONS

In this Code and the Appendix hereto, unless the context otherwise indicates: -

- 3.1 Paragraph headings are for convenience and shall not be used in its interpretation;
- 3.2 Unless the context clearly indicates a contrary intention:
 - 3.2.1 an expression which denotes:
 - 3.2.1.1 any gender includes the other genders;
 - 3.2.1.2 a natural person includes an artificial person and vice versa;
 - 3.2.1.3 the singular includes the plural and vice versa;
 - 3.2.2 the following terms shall have the meanings assigned to them below:
 - 3.2.2.1 "**Approved Supplier**" means any person from whom a HQ Member requires any of its Franchisees to acquire or purchase any products or services;
 - 3.2.2.2 "**BEE Compliant**" means compliant with the Codes of Good Practice published by the Minister of Trade and Industry of South Africa in terms of the Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended, to the extent that such codes are applicable;
 - 3.2.2.3 "**Committee**" means any committee established by Exco from time to time;
 - 3.2.2.4 "**this/the Code**" means the Code of Ethics and Business Practices comprised by this document, including any amendments or additions thereto from time to time;
 - 3.2.2.5 "**Council**" means the Council of FASA from time to time, as elected at FASA's Annual General Meeting, together with any co-opted members;
 - 3.2.2.6 "**CPA**" means the Consumer Protection Act, 68 of 2008, as amended;
 - 3.2.2.7 "**Days**" means calendar days;
 - 3.2.2.8 "**Disclosure Document**" means a disclosure document complying with this Code and the Appendix hereto and with any applicable law that prescribes the form or the content of a disclosure document to be given to a prospective Franchisee;
 - 3.2.2.9 "**Exco**" means the Executive Committee of FASA, as appointed by the Council from time to time;
 - 3.2.2.10 "**FASA**" means the Franchisee Association of South Africa a company duly incorporated in terms of section 21 of the Companies Act, 61 of 1973, as amended, read with item 2 of Schedule 5 to the Companies Act, 71 of 2008, as amended, and having registration number 1991/05946/08;
 - 3.2.2.11 "**Franchisee Agreement**" means an agreement, including any annexure or attachment thereto, between a HQ Member and any other party:
 - 3.2.2.11.1 in which, for consideration paid, or to be paid, by such other party to the HQ Member, the HQ Member grants such other party the right to carry on business under a system or marketing plan substantially determined or controlled by the HQ Member or an associate of the HQ Member;
 - 3.2.2.11.2 under which the operation of the business of such other party will be substantially or materially associated with advertising schemes or programmes or one or more trade marks, commercial symbols or logos or any similar marketing, branding, labelling or devices, or any combination of such schemes, programmes or devices, that are conducted, owned, used or licensed by the HQ Member or an associate of the HQ Member; and
 - 3.2.2.11.3 that governs the business relationship between the HQ

Member and such other party, including the relationship between them with respect to the goods or services to be supplied to such other party by or at the direction of the HQ Member or an associate of the HQ Member;

3.2.2.12 "**Franchisee Member**" means any Member who is registered as a Franchisee Member of FASA from time to time in terms of the MOI and any Franchisee of a HQ Member;

3.2.2.13 "**HQ Member**" means any Member who is registered as a HQ Member of FASA from time to time in terms of the MOI;

3.2.2.14 "**Incentive**" means any rebate, commission, payment or discount any HQ Member might receive as a result of any or all of its Franchisees' acquiring any goods or services from a specific supplier;

3.2.2.15 "**Marketing Fund**" means any fund created for the purpose of marketing, advertising or any other related purpose;

3.2.2.16 "**Member**" means any person who is a Member of FASA by virtue of the MOI;

3.2.2.17 "**MOI**" means the Memorandum of Incorporation of FASA, as amended from time to time;

3.2.2.18 "**Service Provider Member**" means any Member who is registered as a service provider Member of FASA from time to time in terms of the MOI.

3.2.2.19 "**Trade Mark**" means any name or trade mark, whether registered or unregistered, owned or used by FASA including, but not limited to, the, "FRANCHISEE ASSOCIATION OF SOUTH AFRICA", "FASA" and "FASA logo" trademarks.

4. CONTRAVENTIONS OF THE CODE AND DISPUTE RESOLUTION

4.1 Exco may at its discretion and option appoint a sub-committee with specific powers to determine any allegation by any person of non-compliance by any Member with the provisions of this Code. The powers of the sub-committee, in determining any such dispute or complaint shall include:

4.1.1 to determine whether any contravention of this Code has taken place;

4.1.2 to impose on any Member whom it determines has contravened this Code such fine as it may deem fit, not exceeding the sum of R10 000.00 (ten thousand rand);

4.1.3 to order any Member to take any action, refrain from any course of action or pay any amount of money that may be necessary to remedy any contravention of the Code which that Member has committed, provided that any amount that a Member may be required to pay shall not exceed the amount of the actual financial loss occasioned as a result of such contravention; and

4.1.4 to summarily terminate the Membership of FASA on any member whom it has found to have contravened the Code.

4.2 In determining whether any contravention of this Code has taken place, determining the appropriate sanction or penalty in terms of Paragraph 4.1, the sub-committee shall have the sole discretion to determine the procedure to be followed, provided that, before making any decision in regard to any alleged contravention, or imposing any sanction or penalty, it shall be obliged to afford any Member who is alleged to have contravened this Code a reasonable opportunity of:

4.2.1 being represented by attorneys and or Counsel at any hearing;

4.2.2 obtaining copies of any relevant documents; and

4.2.3 presenting relevant evidence and cross-examining witnesses.

4.3 In determining the appropriate sanction or penalty to be imposed on any Member found to have contravened the Code, the sub-committee shall have regard to all relevant factors including, but not limited to:

4.3.1 the nature of the contravention;

4.3.2 the period of time for which the contravention has continued; and

4.3.3 whether the Member concerned has previously contravened the Code

4.4 All Members of FASA will be bound by the decisions of such sub-committee in respect of any matters that fall within its powers as determined.

4.5 Members shall make every effort to resolve complaints, grievances and disputes between them in good faith and through direct communication and negotiation. Failing such amicable resolution, all complaints, grievances and or disputes may be referred to FASA for mediation, subject to paragraph 4.7 below.

4.6 In the event that notice of any complaint, grievance or dispute is referred by FASA to any HQ or Franchisee Member for a response, such Member is obliged to furnish FASA with a response within 7 (seven) days of receipt of notice thereof from FASA.

4.7 FASA shall have no jurisdiction to determine any dispute between Members, or between any Member and a non-Member, in the absence of an express agreement between the parties to such dispute. However this shall not prevent FASA from taking immediate disciplinary action or any other appropriate action against its Members for noncompliance with this Code and/or FASA's Memo and Articles.

5. AMENDMENTS TO CODE

FASA shall be entitled to amend this Code either by deleting or amending existing provisions or by addition of provisions. Any such amendment shall become binding on FASA Members upon notification by e-mail to each Member at the e-mail address most recently provided in writing by such Member to FASA and publication of the amendment on FASA's website.

6. MEMBERS' GENERAL OBLIGATIONS

6.1 Every Member shall at all times comply with all and any applicable legislation and/or regulations that may affect its business, including, but not limited to the CPA.

6.2 No Member shall offer, sell or promote any Franchisee, business, product or service by means of any express or implied representation which is likely to deceive or mislead prospective Franchisees or purchasers of any such Franchisee, business, product or service.

6.3 No Member shall use any trademark, trade name, slogan, or other mark of Identification that is deceptively similar to any trademark, trade name, slogan or other mark of identification of another business or which is likely to mislead and/or deceive any member of the public as to the ownership, affiliation or nature of such Member's business or the nature or quality of any product or service offered by such Member.

6.4 No Member shall engage in any form of pyramid or chain distribution of whatsoever nature.

6.5 No Member shall, in the management or organization of its business, discriminate on the basis of race, colour, religion, age, gender or disability, save to the extent that such discrimination may be necessary for the purposes of giving effect to national legislation of general application enacted for the purpose of protecting or advancing persons, or categories of persons, previously disadvantaged by unfair discrimination.

6.6 No Member shall conduct itself in such a way as, in the reasonable discretion of Exco, is likely to bring FASA into disrepute.

6.7 On or before 30 September of each year, every HQ Member shall furnish FASA with a rating certificate issued by an accredited agency, or in the absence of any accredited agency, recommended by the South African National Accreditation System ("SANAS") for the purpose of certifying the extent to which commercial enterprises in the Republic of South Africa are BEE Compliant. In the event that the Member is not BEE Compliant at the end of any financial year, such Member shall submit its strategy, setting out the time period within and the manner in which it proposes to become BEE Compliant.

7. DISCLOSURE DOCUMENTS

7.1 Every HQ Member shall, at least 14 (fourteen) days prior to signature of any Franchisee Agreement and acceptance of any money in connection therewith, provide the prospective Franchisee with a draft of the proposed Franchisee Agreement/s and a written Disclosure Document.

7.2 Every HQ Member shall, at least 3 (three) months before the renewal of any existing Franchisee Agreement, provide the Franchisee with a Disclosure Document.

7.3 Every HQ Member must provide a Disclosure Document, to FASA by no earlier than 1 September, and no later than 30 September of each year.

7.4 Every HQ Member shall ensure that the information contained in every Disclosure Document provided by it shall contain as a minimum the information set out in Appendix 1 hereto and that all such information is true and correct on the date it is given to any prospective Franchisee, or FASA, as the case may be.

8. HQ - FRANCHISEE RELATIONS

8.1 All matters material to and governing the relationship between the HQ and Franchisee shall be set out in one or more written agreements, which must clearly set out the terms and conditions of such relationship and each party's respective obligations and rights, and must comply with all applicable laws and regulations.

8.2 No Franchisee agreement shall be entered into prior to the fifteenth (15th) day after receipt of the Disclosure Document and the Franchisee agreement by the prospective Franchisee.

8.3 All Franchisee agreements must contain a clause referring to the Disclosure Document and record that "*the information contained in such Disclosure Document is to the best of the HQ's knowledge and belief, true and accurate and that no material information has been withheld*".

8.4 The provisions of paragraph 8.2 shall not preclude a HQ Member from requiring a prospective Franchisee to sign an undertaking to preserve the confidentiality of any information of a confidential nature belonging to the HQ Member, before furnishing the prospective Franchisee with a Disclosure Document. Should any prospective Franchisee refuse to sign such agreement, the HQ may refuse access to any information, whether or not it is obliged in terms of any other provision of this Code to provide it.

8.5 A HQ Member is not obliged to deliver its operations manual or any other document containing information relating to the methods, know-how or other trade secrets of the HQ Member prior to the signature of a Franchisee agreement; however such documents must be shown to the prospective Franchisee.

8.6 A HQ Member is entitled at its discretion to select and accept as Franchisees such persons as upon reasonable investigation possess such basic skills, education, personal qualities and financial resources as in the reasonable discretion of the HQ Member is required to fulfil the obligations of the Franchisee in terms of any Franchisee Agreement that is to be concluded between the HQ and the prospective Franchisee and the needs and requirements of the business that will be carried on it terms thereof. However, the HQ Member shall not discriminate in the selection process on the basis of race, colour, religion, age, gender or physical disability of the prospective Franchisee, provided that a HQ Member may grant Franchisees to certain persons on more favourable terms than those on which similar Franchisees may be granted to other persons as part of a program to make Franchisees available to persons, or categories of persons, previously disadvantaged by unfair discrimination.

8.7 Every HQ Member shall encourage and provide training designed to assist its Franchisees in improving their abilities to conduct their Franchised businesses, and shall provide reasonable guidance and supervision to its Franchisees in regard to the conduct of their Franchised businesses.

8.8 Every Franchisee Member shall encourage and provide training to its employees to improve their skills and abilities to conduct the Franchised business in which they are employed.

8.9 All HQ Members and Franchisee Members should be conveniently accessible and responsive to communications from their respective Franchisees and HQs for the purpose of improving mutual understanding and reaffirming mutuality of interest.

8.10 Every HQ Member that obtains the benefit of any Incentive is obliged to advise its Franchisees in writing of the fact of such Incentive and of how such Incentive will be applied.

8.11 A HQ Member may not, in terms of or as a condition of entering into a Franchisee Agreement, require any or all of its Franchisees to purchase any goods or services from the Franchisee Member itself or an Approved Supplier unless:

8.11.1 the convenience to such Franchisee of purchasing such goods or services from the HQ Member or Approved Supplier outweighs the limitation of the Franchisee's right to choose; or

8.11.2 there is an economic benefit to the Franchisee in purchasing the goods or services concerned from the HQ Member or Approved Supplier; or

8.11.3 the goods or services concerned are reasonably related to the goods or services that are the subject of the Franchisee Agreement entered to be entered into between the HQ Member and the Franchisee concerned.

8.12 Every HQ Member shall ensure that all moneys which such HQ Member may receive from any prospective Franchisee in contemplation of the conclusion of a Franchisee Agreement is deposited in an attorney's trust account or a separate bank account maintained by the HQ Member for that purpose. In the latter case, the HQ Member shall advise the prospective Franchisee in writing that the moneys deposited therein do not constitute trust moneys and shall not be protected against claims by the HQ Member's creditors in the event of its insolvency.

8.13 Where a HQ Member receives any moneys from any prospective Franchisee in contemplation of the conclusion of a Franchisee Agreement, as referred to in paragraph 8.12, and, whether at the instance of the HQ Member or the prospective Franchisee, negotiations in connection with such contemplated agreement are terminated without an agreement being concluded:

8.13.1 The HQ Member shall refund the amount it has received forthwith, and not later than 30 (thirty) days after having received a written request from the prospective Franchisee;

8.13.2 The HQ Member may not retain any part of the amount it has received, save to cover reasonable out-of-pocket expenses that it has incurred in contemplation of the conclusion of a Franchisee Agreement. The

HQ Member shall provide the prospective Franchisee on demand with documentary proof of all such expenses.

9. MARKETING AND ADVERTISING

9.1 If a HQ Member requires any or all of its Franchisees to contribute to a Marketing Fund:

9.1.1 The Franchisee Agreement between the HQ Member and any such Franchisee must stipulate the amount of any contribution that the Franchisee is required to make to the Marketing Fund, or the method of calculation of such contribution and the date/s on which such contribution/s must be paid;

9.1.2 The HQ Member must provide to each Franchisee of that HQ Member that is required to contribute to a Marketing Fund:

9.1.2.1 not later than 6 months after the end of each financial year of the HQ Member, a copy of a financial statement which reflects the receipts and expenses of the Marketing Fund on an annual basis: and

9.1.2.2 in respect of each period of 3 consecutive calendar months, financial management accounts relating to the Marketing Fund;

9.1.3 Contributions made to the Marketing Fund by Franchisee may not be used to provide any benefit to the HQ Member which is not also available to all of the Franchisees of that HQ Member;

9.1.4 Any advertisement published by any Member must comply with all applicable rules, regulation, directives, guidelines and laws promulgated by any governmental body or agency having jurisdiction as amended from time to time and with the Advertising Standard Authority of South Africa's Code of Advertising Practice, as amended from time to time.

9.2 Any advertisement referring to the financial requirements for the acquisition or establishment of a Franchised business must contain sufficient detail so as not to mislead any prospective Franchisee or the public at large in any respect whatsoever. Without limiting the generality of the a forgoing, the advertisement must state whether any amount/s mentioned therein is /are part of, or the full, cost of the acquisition or establishment of the Franchise business, what items such amount/s cover/s, whether any financing costs are included and other related information.

9.3 All Members acknowledge that the Trade Marks including the "Franchisee Association of South Africa", "FASA" and FASA's logo trade mark are owned by FASA. Only Members in good standing, whose Membership fees have been paid in full, are entitled to use these Trade Marks in any documents, subject to FASA's guidelines, specifications and requirements from time to time. Further no Member may use any Trade Mark in such a way as to state, suggest or imply that FASA endorses its products, services or Franchisee.

9.4 Notwithstanding the provisions of paragraph 9.3 above, Members are prohibited from using Trade Marks in any form whatsoever in the offering, or sale or promotion of the sale of a Franchised business if such use has not been approved in writing by FASA in advance.