



**LETTER OF INTENT & CONFIDENTIALITY UNDERTAKING I.R.O
CHESANYAMA FRANCHISE**

Are you a hands-on businessperson? Like to know everything that is going on, from inventory control and operational processes in the back office to being out front, greeting and talking to customers? Then Chesanyama is the franchise business for you. Please complete the information below.

The hereinafter mentioned Prospective Franchisee ("the Applicant") has expressed interest in acquiring a CHESANYAMA Franchise and by doing so would receive the non-exclusive rights to trade under the name, logo and colours of CHESANYAMA and to promote the products supplied by CHESANYAMA.

❖ Refer to guidelines attached hereto

Name & Surname of Principal Shareholder, Member or Sole Trader:

Name of Company, Close Corporation/Trust:

Registration / Trust No: _____

ID No: _____

ID No: _____

Take note that we can approve you as a franchisee however we cannot guarantee that the landlord will allow you to proceed in taking over the franchise if you are not a SA Citizen.

Contact Number:

(Cell) _____

(Fax) _____

(E-mail) _____

Preferred area:

(Where do you want to open your store?) * We would like to suggest that when making your choice that you select a region / area that is not too far from where you reside as it is very important that you are able to be hands-on and manage your store.

Physical Address of the Applicant:

Postal Address of the Applicant:

*** SUPPORTING DOCUMENTS TO ACCOMPANY YOUR LETTER OF INTENT:**

- Certified Copies of ID (All Members, Directors, Trustees)
- Company Registration / Trust Documents
- Proof of Residence of all Members, Directors, Trustees)
- 3 Months Bank Statements
- Copy of All Shareholder Certificates
- If married In Community of property (Spouse must also send copy of his/her ID)

Franchising Financial Elements 2018

Application Fee:

Application fee to show commitment to actually wanting to acquire a Chesanyama and to compensate for the costs of interviews and in-store assessment, etc. This amount is partially refunded (no interest applicable) in the event of the potential applicant withdrawing during this process as per our terms and conditions.

Franchise Fee:

This fee includes:

- The right to use and operate under the Chesanyama name and concept;
- Initial owner and staff training;
- Assistance with site selection and evaluation;
- Initial legal costs incurred in conclusion of the Franchise Agreement;
- Assistance with Lease negotiations; and
- Initial pre-opening/launch assistance.

This fee is payable upfront as a deposit pending conclusion of the negotiations and is non-refundable after signature of the franchise agreement. Any costs incurred prior to signature of the Franchise Agreement (in the event that the transaction is not consummated for any reason) will be deducted from this upfront payment prior to a refund being processed. These costs may include, without limitation:

- Franchisee assessment costs
- Site feasibility studies
- Costs associated with Lease negotiations
- Training
- Any other costs incurred and/or disbursements made in respect of the transaction

Establishment Costs:

- See breakdown furnished below.
- Please note that certain costs that may be specific to the proposed site/location are not included. This would include costs such as travelling and accommodation of the Franchisee and staff during the relevant training period (bearing in mind that the training may be some distance from the proposed site).

Amount Payable:

Franchise fee / set up cost (excluding Extras, per attached "Schedule A"): **R10 000.00/ m2 (Excl. VAT)**

*** Different rates will apply outside of RSA**

Payable as follows:

On signature hereof an Application/ Joining fee **R100 000.00 (Excl VAT)**

(A 45 day notice period shall be applicable in respect to any refunds and in the event that either Party cancels the present Letter of Intent and which cancellation shall be in writing)

Gold Brands (Shop fitting/Electrical/Plumbing/Signage/Furniture & Design Fee, Excludes council submissions for approvals) **R10 000.00 /m2 (Excl VAT)**

The full set up cost is payable to Gold Brands at least 45 days prior to shop fitting.

Please note that these amounts do not include any Transport charges which will be for the Franchisees account.

Please note:

- **These are approximate costs and will change depending on size of site.**
- **These estimates are set for 6 months but are however subject to change without notice due to the volatile US\$ / ZAR rate.**
- **These amounts do not include any Transport charges which will be for the Franchisees account.**
- Should a franchisee request a feasibility study, they will be quoted accordingly.
- A R5 000.00 administrative fee shall be deducted from any deposit upon any cancellation as contemplated in the Letter Of Intent)

** Make provision for working capital (to be used for Rental / Deposit / Salaries) **R 80 000.00**

Distribution – stock deposit (payable to Goldbrands 1 week prior to shop opening):

Gauteng **R 40 000.00**

Outside of Gauteng and in neighbouring countries **R 70 000.00**

Are you applying for funding **Yes ()** **No ()**

- All payments should be made into the following account and proof of payment must be e-mailed to marcha@goldbrands.co.za

Account Name: Franchising to Africa (PTY) Ltd
Bank: Absa Bank
Branch: Centurion – 632005
Account: 4079491105
Ref: (Your name and Surname)

- A monthly Royalty fee of 4% of turnover is payable to CHESANYAMA
- A monthly Marketing fee of 2% of turnover is payable to CHESANYAMA

CRITICAL NOTES:

- **Minimum unencumbered cash contribution by franchisee: (i.e. available cash before borrowed funds based on average investment) 50%**
- **The relevant VAT component must be paid to Chesanyama prior to commencement with the project and claimed back by the Franchisee from SARS in due course – the VAT amount would either need to be funded by the Franchisee over and above the cash outlined above, or funded by an alternate financier on a "bridging" basis pending payment by SARS**

This offer is made subject to the following terms and conditions:

1. The evaluation of the personal details of, questionnaire responses by and personal interview with the Applicant. CHESANYAMA has the sole right to accept or decline this letter of intent.
2. In the event that CHESANYAMA accepts this letter of intent, a standard formal and comprehensive Franchise Agreement will be entered into.
3. Payment shall be made by the Applicant as detailed above. Payment shall be by EFT in favour of CHESANYAMA, and CHESANYAMA reserves the right to effect clearance of the payment before undertaking any of its obligations.
4. This offer is made by the Applicant with the full understanding of the Terms and Conditions set out in this document. Should CHESANYAMA not accept this expression of interest, the Applicant shall be automatically released from his obligations in terms hereof and the deposit paid to CHESANYAMA shall be refunded to the following account:

Account Holder: _____
Bank: _____
Branch: _____
Branch Code: _____
Account Number: _____

Secrecy:

1. The Applicant acknowledges that:
 - 1.1. The system under which CHESANYAMA operates ("the System") is the sole and beneficial property of CHESANYAMA. The Applicant has no rights in the System.
 - 1.2. Neither the Applicant nor any of its employees have any prior knowledge of the System or any aspect of the intellectual property, including without limitation all know-how and trade secrets pertaining to the business and affairs of CHESANYAMA, or to the manner in which CHESANYAMA renders its services.
2. The Applicant undertakes to:
 - 2.1. Keep secret all information, records, guides and, in particular, any training files, documentation and information as well as all other information supplied by or obtained from CHESANYAMA in relation to the manner in which CHESANYAMA operates, the System and/or its business.
 - 2.2. Not divulge or permit the disclosure of the manner in which CHESANYAMA operates, the System and, in particular but without limitation, the contents of any training files to any third party other than

employees employed by the Applicant to conduct CHESANYAMA business and then only to extent absolutely necessary.

3. The Applicant shall, should this letter of intent not be accepted by CHESANYAMA or at the request of CHESANYAMA, forthwith return to CHESANYAMA the Franchise Agreement/Training Manual as well as any other written information supplied by or obtained from CHESANYAMA.

CONSENT AND DECLARATION – CREDIT BUREAU

The Applicant hereby:

- Consents and approved Franchising to Africa (PTY) Ltd to carry out a credit enquiry in respect of the Applicant and/or any of its members, shareholders, directors, partners or trustees, either by accessing any credit agency's database or making inquiries with any credit grantors for purposes of making any risk management decision regarding this application;
- Declares that the information supplied herein or attached hereto, is true and complete in every aspect;
- Is aware that should any information be found to be false or incomplete this could lead to the refusal of this application.

Signed at _____ on _____ day of _____ 2018.

As Witness:

Name: _____

Address: _____

For and on behalf of the Applicant

Signed at _____ on _____ day of _____ 2018.

As Witness:

Name: _____

Address: _____

For and on behalf of CHESANYAMA



Schedule A:

Schedule of Extra's, not included in the Franchise Fee

Dear Franchisee,

The cost of the below listed items needs to be negotiated with the landlords of the store/site concerned or will be an added cost to the Franchisee/Owner of the store. This payment will be required prior to shop opening/fitting.

*Once full payment is received, and a Franchise Agreement signed, store set up will commence and will take **4 – 6 weeks** for completion, regardless of the beneficial occupation date.*

Extra's:

1. Fees payable to the landlord (Rental deposit and monthly rentals)
2. 3 (Three) phase electricity upgrades – minimum 100amp per phase
3. Drop ceilings
4. Gas installations
5. Partitioning
6. Shop fronts
7. Extraction system over 10m ducting and/or specialised extraction
8. Geysers
9. Front of house hand wash basin
10. Cold room (if chest freezers are not required)
11. Drop safe
12. Point-of-sale rentals
13. Toilets

Signed at on the day of 2018

As witnesses:

1.

2.

for: The Franchisee / Applicant:

General Application Queries

Are there opportunities to acquire existing restaurants?

Yes, there are opportunities to acquire existing restaurants. If a franchisee's store is identified for sale it will be presented at a one-on-one meeting. However, if the buyer is new to Chesanyama, they must successfully complete the Chesanyama Franchise Application process to be considered eligible to purchase the store.

What is a Disclosure Document and how do I obtain the document?

The disclosure document describes in detail how the Chesanyama franchise works and how the company is organised. It gives the potential franchisee information about the brand that allows them to make an informed decision. Once you have completed the application form, one will be sent to you.

How do I find a perfect location?

Chesanyama will assist you in locating a site that meets yours and our requirements. If you have a site in your area that you would like to suggest, please feel free contact our Business Development Team and we will work with you to determine the feasibility of the location. Looking for a site with our franchisees is about working together to find a site that will benefit both of us.

Will I have a protected territory?

Yes, you will have a protected territory. The area is about 3km (depending on the location of your store) and would be stipulated in the franchise agreement.

Where are the Chesanyama restaurants generally located?

Chesanyama stores are generally located in shopping centres (super regional, convenient, and neighbourhood). We also look at stand-alone sites.

Do I need previous restaurant or franchising experience to become a Chesanyama franchise owner?

A franchising background will be beneficial and helpful as it makes us aware that you, as an individual, understand what franchising is all about. But it is not an absolute necessity.

How soon can I open my Chesanyama once I have successfully completed training?

Timing depends on a few factors, most importantly, if you are buying an existing store or building a new store. Once the store is built, for a new store, or the sale transaction is completed, for an existing store, the 4 to 6 week training program would need to be completed before you can take over the store.

What are the requirements for an operating partner?

Operating partners should have a minimum of 20% ownership in the business. Operating partners must complete the full franchise assessment process and be approved by the Chesanyama New Business Committee.

Can I own more than one store?

Yes, absolutely, although we will only look at a second store after a period of 18 months. We need to ensure that you can run a successful operation.

What support will Chesanyama give me in setting up and operating my business?

Chesanyama will give you all the support and training required for developing and operating your store. You will have a dedicated opening team who will work with you and guide you throughout the process. Once your store is opened, our team will be on site for the first 2 weeks to ensure the successful opening and running of your new store.

What is the length of the Franchise Agreement?

Our Franchise Agreements have a term of 5 years.

Costs

What are the minimum net worth requirements to qualify as a candidate?

To qualify you would need to have 50% of the set up costs or selling price of the store in cash.

What are the royalty and advertising fees?

Royalties – 4% of turnover

Marketing – 2% of turnover

How can I finance my business?

There are a few different ways to finance your business. As a general rule, a bank may lend up to 50% of the value of the purchase price of the investment. The franchisee is then required to fund the balance through cash. We would then need proof of the unencumbered funds available. Chesanyama also helps with facilitating the finance application.

What are the costs associated with setting up a store?

Joining Fee – R 100 000 (excl. vat)

Stock Guarantee – R 40 000 (to be kept in a trust account)

If a new store is to be built, the development costs would be site and spec specific – on average R 10 000 per m².

Training & Operations

What kind of training is required by Chesanyama?

Before you may begin operating your store, you and your partners / managers and other employees identified, must attend the full Chesanyama Training program (lasting 4 to 6 weeks) to Chesanyama's satisfaction. Chesanyama offers comprehensive restaurant and business training and support, including in-depth brand induction.

Where do I order my food products from?

Chesanyama's wholesale division supplies the majority of your food products. Franchisees benefit from our group buying to access the best parcel pricing.

Will I receive guidance on purchasing restaurant equipment and supplies?

We offer a comprehensive specification document with all equipment requirements. Our development team will assist you in the final selection and approval of the equipment. We offer a turnkey solution. This includes build out and shop fitting of your store.

How many employees does it take to operate a unit?

Depending on the size of the store, you will need 8 to 10 staff in total.